

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE.

The meeting was called to order by Chairperson Senator Nancey Harrington at 10:30 a.m. on January 17, 2001 in Room 245-N of the Capitol.

All members were present.

Committee staff present: Russell Mills, Legislative Research Department
 Dennis Hodgins, Legislative Research Department
 Theresa Kiernan, Revisor of Statutes
 Nikki Kraus, Committee Secretary

Conferees appearing before the committee: Randy Tongier, Legislative Division of Post Audit
 Ed Van Petten, Deputy Executive Director, KS Lottery

Others attending: See Attached List

Chairman Harrington started the meeting by introducing Mr. Randy Tongier from the Legislative Division of Post Audit.

Mr. Tongier stated that he would be presenting a financial compliance audit done on the Kansas Lottery by an outside audit company CPA firm called Berberich Trahan & Co., P.A. which contracts with the Office of Legislative Post Audit under a statutory requirement for annual financial audits for the lottery which has existed since the late 1980's. He stated that it does not address some of the concerns and allegations which the committee may have against the lottery from reading about it in the paper. He stated that what the report does do is address three main areas. He stated that the first was financial reporting, which includes financial papers which show the results of the lottery's operation for each fiscal year, and the procedures used to prepare those statements so that those records are a fair presentation of what actually happened at the lottery, and that they are presented with what are called generally accepted accounting principles. Mr. Tongier stated that the second area covered by the audit report was compliance with legal requirements as they relate to financial reporting. He stated that the final area covered by the audit was internal controls, which is financial accounting and related procedures that are designed to ensure accurate accounting and financial reporting.

Mr. Tongier then presented a memorandum entitled "Kansas Lottery, Financial and Compliance Audit Report, Years Ended June 30, 2000 and 1999". (Attachment 1).

Chairman Harrington then asked for questions, and there were none.

Chairman Harrington then introduced Mr. Ed Van Petten, Acting Deputy Executive Director for the Kansas Lottery and stated that we would be holding confirmation hearings on Mr. Van Petten in the next week or so.

Mr. Van Petten stated that he appreciated the opportunity to present before the committee. He stated that he brought along several of the top officials from the lottery in order to assist him. He went on to introduce them. He introduced Pat Red, Personnel Manager, Tom Hofts, Director of Sales and Marketing (because the acting director of sales resigned, and for the time being, Mr. Van Petten stated that he was combining the two), Dave Mackey, Information Resource Manager for the Lottery, Gary Herman, Security Division, Gary Oliver, Computer Quality Assurance Management (which does the auditing of the computer systems), Pete Coker, Assistant Attorney General, Gary Seville, Comptroller, and Jim Geradano, Internal Officer.

CONTINUATION SHEET

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE at on January 17, 2001 in Room 245-N of the Capitol.

Mr. Van Petten then went on to describe the information provided in the packets he distributed to the committee members, including a sheet drafted by the Lottery office based upon the budget recommendations of the governor. (Attachment 2).

Mr. Van Petten stated that Mr. Russell Mills had provided the committee a similar sheet the day before but that this sheet incorporated the payment of \$80,000 for the fund for problem gambling. He stated that there was also a sheet which was from the department of commerce and housing which breaks down by county the payments made for economic development. He stated that the Lottery thought that would be beneficial to the committee members to determine the benefits for their particular areas.

Chairman Harrington stated that she wished to share with the committee that the Secretary of Commerce and Housing, Gary Sherrer, would be with the committee next week to describe how he makes the determination to administer the economic development initiative.

Mr. Van Petten went on to describe the activity sheet inside of the packet he gave to the committee. (Attachment 3).

Mr. Van Petten pointed out the existence of a flow chart in the packet, and stated that it illustrated how lottery funds flow. (Attachment 4).

Mr. Van Petten referred the committee to a tracking study from 1997 which he stated was a part of a demographic survey showing age, education, and income levels of players of the lottery. (Attachment 5).

Mr. Van Petten went on to his testimony. (Attachment 6).

Mr. Van Petten distributed a packet from the Kansas Department of Commerce Housing entitled "FY 2000 EDIF Awards by County". (Attachment 7).

Chairman Harrington thanked Mr. Van Petten, and then asked for questions and recognized Senator Gooch.

Senator Gooch stated that he would like to know if Mr. Van Petten could explain the fact that the investigation of the misuse of Kansas Lottery computers did not find anyone guilty of wrongdoing.

Mr. Van Petten stated that in order to clarify, the two computers involved in those situations were personal computers which had no relationship to the gaming system itself. He stated that both computers were used for maintaining web page information. He stated that the first situation, the computer which was involved was a non-secure computer, which meant that anyone could use it because there was no password required. He stated that anyone who was present in the lottery building could have placed that information on the hard drive, so he had not seen any way to prove who was responsible.

Senator Gooch stated that he understood that these computers were public and that they did not deal with money, but that it reflected on the people and the inability to limit those possibly accountable down to less than eight people. He stated that it seemed a little weak to him.

Mr. Van Petten stated that Senator Gooch was absolutely right, and within a month after that, software was installed in all the computers to require individual passwords so that any actions taken now can be audited. Mr. Van Petten stated that passwords were also required for the gaming system.

Senator Gooch then stated that the next thing that he wanted to ask about was in the audits that had been done, if there had been any audit that Mr. Van Petten could point to which would give any indication of a desire to do something illegal.

Mr. Van Petten said that he would try to answer the question to the best of his ability. He stated that in addition to showing who accesses the gaming system, the auditing software that has been installed at this

CONTINUATION SHEET

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE at on January 17, 2001 in Room 245-N of the Capitol.

time audits anyone accessing the financial information maintained on the computer as a result of sales of products which shows sales at the retail level, so those figures would not be able to be tampered with in any way or modified without an indication by profile who it was who accessed that information and made any type of modification. He stated that it would show up in the auditing at this time, but that it had not been the case previously, and that with the audit software which had been installed in the last quarter, that was the case. Mr. Van Petten stated that the information on those computers was the information used by the Finance Department in developing the financial information which is present in the auditor's review.

Senator Gooch stated that he was concerned with the accuracy of the information provided by Mr. Van Petten about who plays the lottery. He asked Mr. Van Petten to give him an indication of how that demographic sheet was developed and obtained Mr. Van Petten stated that there was a detailed survey developed by Market Strategies, Inc., and it was conducted as a telephone survey.

Senator Gooch stated that he felt that this method of obtaining information was worth the paper on which it was written and that he believed that he could conduct a survey of one hundred homes and not one would have been called.

Chairman Harrington suggested to Senator Gooch that his question might be better asked at the hearings because it might be better and more clearly answered during that time.

Senator Gooch replied that he felt that the question was answered very directly and that he had not had a problem with the response.

Chairman Harrington thanked Senator Gooch for his question and recognized Senator Vratil.

Senator Vratil asked Mr. Van Petten if he was able to tell the committee what had been the size of the sample for the survey.

Mr. Van Petten stated that he would defer to Mr. Hofts, Acting Director of the Departments of Sales and Marketing for the Kansas Lottery, to answer that question.

Mr. Hofts stated that the sample size had been 1,000 valid responses, which were weighted geographically across the state balanced by population per county.

Senator Vratil asked what the margin of error would have been with a sample that size weighted graphically.

Mr. Hofts responded that the statistical probability was 95 per cent, and that the margin of error was 5 per cent.

Senator Barnett stated that the day before, the committee had spoken about statutes with GTECH regarding contracts made by the KBI, and that he wanted to know if the lottery did background checks with KBI.

Mr. Van Petten stated that for most individuals, the security division of the lottery handles background checks. He stated that the KBI would be used for information obtained from the national computer system on criminal history and record checks. He stated that occasionally with interstate companies, the lottery would review additional information obtained by other states as well. He stated that recently they had obtained some records from California's security division regarding security information.

Senator Lyon stated that he was interested in Mr. Van Petten speaking more about the security audit of the lottery.

Mr. Van Petten stated that a contract was made with RMS Lab Company which was a subsidiary of H&R Block, and specializes in these types of security audits. In response to further questions from Senator

CONTINUATION SHEET

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE at on January 17, 2001 in Room 245-N of the Capitol.

Lyon, Mr. Van Petten explained that the audit lasted two to three months and covered not only computer security, but also warehouses and retailers. Mr. Van Petten also stated that he did not believe that the gag order placed on certain lottery related issues would reveal any new information to the public.

In response to Chairman Harrington's questions, Mr. Van Petten explained that one of the computers had a commercial pornographic video on it. He stated that two other computers which had been found with inappropriate material on them also, but that none of the three had depicted lottery workers. Mr. Van Petten went on to assure the Chair that other inappropriate material found on lottery computers, including a picture of a worker posed in front of a Nazi flag in caricature, would not happen again and that those employees had received counseling for their actions. He went on to say that he would not condone any such action. He also stated that the background check for workers at the lottery included contacting all previous employers possible and reviewing the work habits of the individual.

Chairman Harrington stated that it was unfortunate how Mr. Van Petten had inherited all of the lottery problems, and he responded that he had a great deal of help.

The committee complimented Mr. Van Petten on his thoroughness.

Chairman Harrington reminded the committee that next Tuesday the Commerce and Housing Secretary Gary Sherrer would come in to conclude information on **SB 22** - Extension of KS Lottery until 2007, and that the hearings for the bill would begin Wednesday.

Senator Vratil moved to amend the minutes from January 10, 2001 to change "ending gaming" to "Indian gaming". Senator Gooch seconded the motion to amend. The motion to amend passed.

Senator Gooch moved to accept the amended minutes from January 10 and January 11, 2001; Senator Vratil seconded the motion. The motion passed, and the minutes were approved.

The meeting adjourned at 11:50 a.m.

The next scheduled meeting will be at 10:30 a.m. on January 18, 2001.

**SENATE FEDERAL AND STATE AFFAIRS COMMITTEE
GUEST LIST**

DATE: January 17, 2001

NAME	REPRESENTING
RANDY TONGIODE	POST AUDIT
TRACY DIEL	SGA/KRGC
Thomas Hoff	Kansas Lottery
Dave Mackey	Kansas Lottery
GARY HERMAN	Kansas Lottery
JERRY OLIVER	KANSAS LOTTERY
ED VAN PETTEN	KANSAS LOTTERY
Mike Bolly	-
Keith Kocher	KS Lottery
Jim Meadors	KS Lottery
Glenn Thompson	Stand Up For KS,
Bethie Thompson	
Jim NYMAN	GTECH
Charles Sherley	GTECH
Robert Vincent	GTECH
Jim Edwards	KCCI
Debra Clark	Halmark
Paul Rott	Principals Potawatomi Gaming Commission
Peter Hancock	KPR



FINANCIAL AND COMPLIANCE AUDIT REPORT

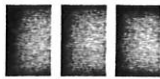
Kansas Lottery

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit**

**State of Kansas
January 2001**



Senate Fed + State
1-17-01
Attachment 1-1



Berberich Trahan & Co., P. A.

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Legislative Post Audit Committee
Kansas State Legislature:

Dear Committee Members:

In connection with our audit of the financial statements of the Kansas Lottery (Lottery), a component unit of the State of Kansas, as of and for the year ended June 30, 2000, this letter sets forth certain matters we wish to bring to your attention. This item is offered as constructive suggestions for the consideration of management as part of the process of modifying and improving financial and administrative practices and policies.

Internal Control

As was previously discussed with members of the Committee and management of the Lottery, in dealing with internal control concerns relating to the allegations surrounding a former Lottery employee, we performed additional procedures on internal controls as a part of our audit. These procedures included discussions with the IBM consultant hired by the Lottery to review and make recommendation regarding computer controls. We believe that the Lottery has taken reasonable steps to address, identify and deal with the situation.

Properly implemented internal controls provide some measure of security against fraud, both internally and externally perpetrated. They will not, however, guarantee that fraud will not occur. Collusion by several employees or circumvention of controls by an individual employee can occur even within a well designed internal control system. Oversight and involvement by management in addition to designed controls can help prevent fraud perpetrated through collusion and circumvention of controls.

* * * * *

This report is intended solely for the information and use of the Legislative Post Audit Committee and management and is not intended to be and should not be used by anyone other than the specified parties.

Finally, we wish to express our appreciation to the Lottery personnel for their assistance and cooperation during our audit, and we look forward to working with you on future engagements.

Berberich Trahan & Co., P.A.

October 17, 2000

KANSAS LOTTERY FINANCIAL SUMMARY
 Prepared by the Legislative Division of Post Audit

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
REVENUES (millions)	\$ 66.2	\$ 68.8	\$ 65.2	\$ 70.2	\$ 77.8	\$ 115.3	\$ 153.4	\$ 178.3	\$ 183.4	\$ 186.3	\$ 193.0	\$ 200.0	\$ 193.5
EXPENSES AS % OF REVENUES													
PRIZES	45 %	49 %	44 %	47 %	48 %	51 %	52 %	52 %	52 %	53 %	53 %	53 %	54 %
BASIC STATUTORY TRANSFER	17 %	31 %	30 %	30 %	30 %	30 %	31 %	30 %	30 %	31 %	31 %	31 %	30 %
OTHER EXPENSES	25 %	29 %	22 %	22 %	21 %	18 %	16 %	16 %	17 %	17 %	16 %	17 %	17 %
TOTAL	87 %	109 %	96 %	99 %	99 %	99 %	99 %	98 %	99 %	101 %	100 %	101 %	101 %
NET OPERATING INCOME	\$ 8.3	\$ -6.6	\$ 1.9	\$ 1.1	\$ 0.7	\$ 0.7	\$ 1.0	\$ 3.2	\$ 2.2	\$ -0.2	\$ -0.1	\$ -0.7	\$ -1.0
OTHER TRANSFERS (millions)													
STATE GENERAL FUND				\$ 1.5									
GAMING REVENUE FUND					\$ 2.8			\$ 1.4	\$ 3.4	\$ 0.3			
INVESTIGATIONS FEE FUND						\$ 0.2	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.2			
ENDING FUND BALANCE (millions)	\$ 8.1	\$ 1.6	\$ 3.4	\$ 3.0	\$ 1.0	\$ 1.7	\$ 2.7	\$ 4.5	\$ 3.3	\$ 2.6	\$ 2.5	\$ 1.8	\$ 0.8

NOTE: Based on the audited annual financial statements prepared by the Kansas Lottery

KANSAS LOTTERY
FINANCIAL AND COMPLIANCE AUDIT
Years Ended June 30, 2000 and 1999

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KANSAS LOTTERY
FINANCIAL AND COMPLIANCE AUDIT
YEARS ENDED JUNE 30, 2000 AND 1999

KANSAS LOTTERY

INTRODUCTION

Years Ended June 30, 2000 and 1999

The accompanying report represents the results of the financial and compliance audit of the operations of the Kansas Lottery (Lottery) for the fiscal year ended June 30, 2000.

The Lottery was created as an independent component unit of the State of Kansas to operate lottery games. It is administered by the Executive Director and the five members of the Lottery Commission appointed by the Governor. The Lottery is an enterprise fund wherein the activities are financed and operated through user charges similar to a private business enterprise.

KANSAS LOTTERY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2000

A. SUMMARY OF AUDIT RESULTS

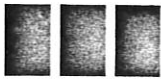
1. The auditors' report expresses an unqualified opinion on the financial statements of the Kansas Lottery.
2. No material weaknesses relating to the audit of the financial statements are reported in the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Kansas Lottery were disclosed during the audit.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

C. PRIOR YEAR FINDINGS

None.



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INDEPENDENT AUDITORS' REPORT

Legislative Post Audit Committee
Kansas State Legislature:

We have audited the accompanying financial statements of the Kansas Lottery, a component unit of the State of Kansas, as of and for the years ended June 30, 2000 and 1999, as listed in the table of contents. These financial statements are the responsibility of the Lottery's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Kansas Lottery and are not intended to present fairly the financial position of the State of Kansas, and the results of its operations and cash flows of its Proprietary fund types and nonexpendable trust funds in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kansas Lottery, as of June 30, 2000 and 1999, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2000, on our consideration of the Lottery's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Berberich Trahan & Co., P.A.

October 17, 2000

KANSAS LOTTERY

BALANCE SHEETS

June 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
<u>ASSETS</u>		
Current assets:		
Cash (Note 3):		
Operating fund	\$ 5,603,247	\$ 1,805,671
Prize payment fund	637,940	1,054,054
Accounts receivable, net of allowance for doubtful accounts of \$ 110,675 and \$ 92,516	538,497	5,689,167
Accounts receivable - unbilled	5,228,028	7,363,597
Instant ticket game inventory	<u>720,752</u>	<u>986,326</u>
Total current assets	<u>12,728,464</u>	<u>16,898,815</u>
Property and equipment (Note 4)	3,145,008	3,335,204
Less accumulated depreciation	<u>2,703,609</u>	<u>2,784,763</u>
	<u>441,399</u>	<u>550,441</u>
Total assets	<u>\$ 13,169,863</u>	<u>\$ 17,449,256</u>
<u>LIABILITIES AND FUND EQUITY</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,830,294	\$ 1,955,233
Due to State Gaming Revenue fund (Note 8)	6,034,376	7,913,047
Prize liability	<u>4,464,523</u>	<u>5,756,364</u>
Total current liabilities	<u>12,329,193</u>	<u>15,624,644</u>
Fund equity:		
Retained earnings:		
Unreserved and undesignated	<u>840,670</u>	<u>1,824,612</u>
Total liabilities and fund equity	<u>\$ 13,169,863</u>	<u>\$ 17,449,256</u>

See accompanying notes to financial statements.

KANSAS LOTTERY

STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS

Years Ended June 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Operating revenues:		
Net game revenues	\$ 187,057,613	\$ 191,169,831
Net unsettled revenues	5,503,187	7,751,154
Retailer fees and miscellaneous income	40,896	67,640
Phone reimbursements	<u>945,915</u>	<u>903,036</u>
Total operating revenues	<u>193,547,611</u>	<u>199,891,661</u>
Operating expenses:		
Game prizes	104,377,074	107,079,089
Retailer commissions	11,086,788	11,133,848
Advertising	2,229,015	2,559,856
Cost of instant tickets	2,536,706	2,243,185
Depreciation	220,998	255,574
Professional services	83,413	77,125
On-line games service bureau	7,256,901	7,595,091
Salaries and benefits	3,666,730	3,666,313
Telecommunications	3,330,119	3,404,891
Other administrative expense	<u>1,975,569</u>	<u>1,568,157</u>
Total operating expenses	<u>136,763,313</u>	<u>139,583,129</u>
Income before operating transfers	56,784,298	60,308,532
Operating transfers out (Note 8):		
State Gaming Revenue fund	<u>57,768,240</u>	<u>60,970,377</u>
Net loss	(983,942)	(661,845)
Retained earnings, beginning of year	<u>1,824,612</u>	<u>2,486,457</u>
Retained earnings, end of year	<u>\$ 840,670</u>	<u>\$ 1,824,612</u>

See accompanying notes to financial statements.

KANSAS LOTTERY

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Cash flows from operating activities:		
Income before operating transfers	\$ 56,784,298	\$ 60,308,532
Adjustments to reconcile net income before operating transfers to net cash provided by operating activities:		
Depreciation	220,998	255,574
Changes in assets and liabilities:		
Accounts receivable - net	7,286,239	(4,573,212)
Ticket inventory	265,574	(284,764)
Accounts payable and accrued liabilities	(124,939)	817,492
Due to State Gaming Revenue fund	(1,878,671)	1,636,913
Prize liability	<u>(1,291,841)</u>	<u>1,868,653</u>
Net cash provided by operating activities	<u>61,261,658</u>	<u>60,029,188</u>
Cash flows from noncapital financing activities:		
Transfers to State Gaming Revenue fund	<u>(57,768,240)</u>	<u>(60,970,377)</u>
Cash flows from capital and related financing activities:		
Purchase of equipment	<u>(111,956)</u>	<u>(260,991)</u>
Net increase (decrease) in cash	3,381,462	(1,202,180)
Cash, beginning of year	<u>2,859,725</u>	<u>4,061,905</u>
Cash, end of year	<u>\$ 6,241,187</u>	<u>\$ 2,859,725</u>

See accompanying notes to financial statements.

KANSAS LOTTERY

NOTES TO FINANCIAL STATEMENTS

June 30, 2000 and 1999

1 - Reporting Entity

In November 1986, a constitutional amendment was approved by the Kansas voters authorizing a State Lottery. During the 1987 Legislative session, the State Legislature adopted the Lottery Act (the Act), and created the Kansas Lottery (the Lottery) as an independent component unit of the State of Kansas to operate lottery games. The 1995 Legislative session continued the Lottery until June 30, 2002. The Kansas Lottery Act abolishes the Lottery on July 1, 2002, unless the Legislature reaches an affirmative vote to continue the Lottery during the 2001 Legislative session.

The Lottery was organized on March 19, 1987, and commenced administrative operations on May 21, 1987, but was strictly in the developmental stage through fiscal year 1987. Instant win ticket games began November 12, 1987. On February 2, 1988, the Lottery began participating in Lotto America, a multi-state on-line game, now called Powerball. Additional games offered by the Lottery include Kansas Cash, Keno, Pick 3 and Pull Tabs. Cash 4 Life, a multi-state on-line game, began on March 30, 1998.

The Lottery operates under the direction of the Executive Director of the Lottery and a five-member Lottery Commission appointed by the Governor. The Commission advises the Executive Director and reviews and approves Lottery games, rules, and regulations.

2 - Summary of Significant Accounting Policies

A summary of the Lottery's significant accounting policies follows:

Basis of Presentation

The Lottery is accounted for as a proprietary-type enterprise fund. Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods and services to the general public on a continuing basis are to be financed through user charges or where the periodic determination of net income is considered appropriate. In reporting its financial activity, the Lottery applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements, Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

KANSAS LOTTERY

NOTES TO FINANCIAL STATEMENTS (Continued)

2 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The financial statements of the Lottery have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of accounting refers to when revenues, expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Measurement focus refers to what is being measured. The financial statements are prepared on the accrual basis of accounting and on an economic resources measurement focus in accordance with generally accepted accounting principles.

Revenue Recognition

Lottery games are sold to the public by contracted retailers. The Lottery utilizes an on-line instant ticket validation system. This system utilizes a bar code system to activate, track and validate instant win tickets which are consigned to retailers. The activated and unsettled instant win ticket packets are reflected in revenues in the current period and are carried on the balance sheet as accounts receivable - unbilled. Consigned instant win ticket packets at the retailer that have not been activated are reflected on the financial statements in ticket inventory at original cost.

Certain instant ticket games include tickets which entitle the holder to exchange the ticket for another ticket ("free tickets"). Such tickets are deemed to be replacements and, therefore, are not included in sales. Pull tab game revenue is recognized when the games are delivered to the retailers. Pull tabs are purchased without a right of return. On-line game revenue is recognized in the period in which tickets are sold.

Retailer Commissions

Retailers receive a commission of five percent of ticket sales, which is recognized as expense when sales are recorded. In addition to the five percent commission on sales, retailers receive a one percent cashing bonus for redeeming prizes that are less than \$ 600. Effective August 28, 1999, they also receive an additional one percent for redeeming Keno prizes and a bonus of one percent on instant and on-line tickets they sell that win over \$ 600, with a minimum of \$ 10 and a maximum of \$ 100 for each prize.

KANSAS LOTTERY

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - Summary of Significant Accounting Policies (Continued)

Retailer Commissions (Continued)

Retailers also receive a bonus of \$ 10,000 for selling the Powerball jackpot ticket, a \$ 2,500 bonus for selling a jackpot Cash 4 Life ticket, and a \$ 1,000 bonus for selling a Kansas Cash jackpot ticket, a \$ 100,000 Powerball ticket, or a \$ 100,000 Cash 4 Life ticket.

Retailer Fees

Licensed retailers are charged a one-time fee for the right to sell lottery tickets. Fees are recorded as income when received by the Lottery.

Accounts Receivable

Accounts receivable represent amounts to be collected from retailers and are shown as net of allowance for doubtful accounts. The allowance for doubtful accounts is based on an analysis of accounts receivable, which considers the age of the accounts and current economic conditions.

Ticket Inventory

Instant ticket game inventory consists of tickets stored in the main and regional warehouses, trunk stock of District Managers and consigned and inactivated tickets at the retailer. Inventories are carried at cost. Tickets are charged to cost of sales when activated by a licensed retailer. Unsold tickets are charged to cost of sales at the end of each instant ticket game.

Property and Equipment

Property and equipment costing over \$ 2,000 are carried at cost less accumulated depreciation. Depreciation is computed on the straight-line basis using the group depreciation method and an estimated useful life of five years.

Prize Liability

The Act states, "as nearly as practical, an amount equal to not less than 45 percent of the total sales of lottery tickets or shares, computed on an annual basis, shall be allocated for payment of Lottery prizes." This amount is recognized and accrued as a prize liability. Actual prizes paid are treated as a reduction of the prize liability.

KANSAS LOTTERY

NOTES TO FINANCIAL STATEMENTS (Continued)

2 - Summary of Significant Accounting Policies (Continued)

Prize Liability (Continued)

Prize expense for instant ticket games is recorded based on the predetermined prize structure for each game. Since instant prize tickets are randomly distributed throughout the tickets, there will be differences between amounts accrued and the amounts actually paid if all tickets for a game have not yet been sold. Prizes which are not claimed within 180 days after the termination of each game remain in the prize pool, and future prizes will be increased accordingly through special prize promotions.

Prize expense for on-line games is recorded based on ticket sales. Prizes which are not claimed within one year after the drawing remain in the prize pool, and future prizes will be increased accordingly through special prize promotions.

Compensated Absences

Under the terms of the Lottery's personnel policy, employees are granted vacation and sick leave in varying amounts based upon length of service. In the event of termination or separation, an employee is generally paid for accumulated vacation up to 144 hours if in service less than five years; 176 hours for service between five and ten years; 208 hours for service between ten and fifteen years; and 240 hours if service exceeds fifteen years [K.A.R. 1-9-4]. Accordingly, it is the Lottery's policy to record vacation pay as an expense as it is earned. The amount of earned but unused accumulated vacation is included as an accrued liability in the accompanying financial statements.

Retiring employees are paid a portion of their accumulated sick leave in excess of 100 or more days, depending upon the total number of accumulated days and years of service. The minimum payable is 30 days, and the maximum is limited to 60 days. The amount of earned but unused accumulated sick leave is paid from the State Leave Payment Reserve fund to which the Lottery makes monthly contributions.

KANSAS LOTTERY

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - Summary of Significant Accounting Policies (Continued)

Budgets

The Lottery prepares an annual budget of expenses which is approved by the State Legislature of Kansas. Any changes in the budget must also be approved by the State Legislature. Such budgets are adopted on a cash plus encumbrance basis, which differs from generally accepted accounting principles. Encumbrances represent commitments relating to unperformed contracts for goods or services. All budgeted, unencumbered funds lapse at fiscal year-end.

Cash Equivalents

For purposes of reporting cash flows, cash includes cash on hand and in banks and amounts deposited with the Treasurer of the State of Kansas.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3 - Cash

Cash, other than petty cash and imprest funds, is part of the common cash pool in the State Treasury. The Pooled Money Investment Board invests cash in excess of that necessary to meet current obligations. Earnings on investments are retained by the State of Kansas. At June 30, 2000 and 1999, the Lottery's share in the State's common cash pool was \$ 6,136,214 and \$ 2,735,318, respectively. The market value of the investments approximated the carrying value at June 30, 2000 and 1999.

KANSAS LOTTERY

NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - Property and Equipment

Property and equipment consisted of the following at June 30, 2000 and 1999:

	<u>2000</u>	<u>1999</u>
Data processing equipment	\$ 2,272,282	\$ 2,363,274
Office furniture, fixtures, and equipment	765,043	849,795
Vehicles and other	<u>107,683</u>	<u>122,135</u>
	<u>\$ 3,145,008</u>	<u>\$ 3,335,204</u>

Depreciation expense for the years ended June 30, 2000 and 1999 was \$ 220,998 and \$ 255,574, respectively.

5 - Commitments

The Lottery leases office and warehouse space under operating leases from unrelated parties. Minimum future lease payments by fiscal year are as follows:

2001	\$ 380,412
2002	<u>380,412</u>
Total minimum payments	<u>\$ 760,824</u>

It is anticipated that as leases expire they will be replaced with new leases. The Lottery incurred office and warehouse rental expense of approximately \$ 292,000 and \$ 331,500, respectively, under operating leases for the years ended June 30, 2000 and 1999.

The Wichita office of the Lottery is located in a building owned by the State of Kansas. Rental payments are anticipated to be approximately \$ 80,000 for fiscal year 2001.

The Lottery has contracted with a service bureau which provides computer services for on-line games and instant-win validation. The duration of the contract is through June 30, 2002. Future fees, calculated on cumulative net on-line sales (gross, less cancels, coupons, free tickets and rejected tickets) through June 30, 2002, are 6.30 - 6.93 percent with no fee for validation of instant win games through June 30, 2002.

KANSAS LOTTERY

NOTES TO FINANCIAL STATEMENTS (Continued)

6 - Contingencies

Zero Coupon Bonds

Lotto America and Powerball prizes awarded to the grand prize winner are payable in annual installments over 20 years. Prizes awarded to grand prize winners after November 2, 1997 are payable in annual installments over 25 years. The first payment is made by the Lottery within weeks of the drawing. Treasury zero coupon bonds that provide payments corresponding to the Lottery's obligation to these winners are purchased by the Multi-State Lottery (MUSL). MUSL holds these bonds in an account for the Lottery, cashes the bonds when due, and wires the money to the Lottery on or before the anniversary date of the winner.

Prior to 1998, the MUSL had purchased zero coupon bonds for the Lottery to fund future installment payments aggregating \$ 224,979,000. The total purchase price of these bonds was \$ 117,288,823. Total future installments outstanding at June 30, 2000 and 1999, are \$ 122,902,000 and \$ 135,417,000, respectively.

MUSL Prize Reserves

The Lottery is a member of the MUSL, which consists of 21 state lotteries. MUSL operates the Powerball game, a semiweekly 5 out of 49 plus 1 out of 42 lotto game. The grand prize is determined on a parimutuel basis, payable over a set number of years. A cash option became available on November 2, 1997. The remaining prizes are set cash prizes. Each MUSL member sells Powerball tickets through its retailers and makes weekly wire transfers to the MUSL. The weekly transfer amount consists of 50 percent of weekly sales less actual set cash prizes paid by the Lottery. The prize pool for all Powerball prize categories consists of 50 percent of each drawing period's sales, until the grand prize is funded to the annuitized amount guaranteed by the MUSL. When the grand prize fund reaches the guaranteed annuitized amount, then 48 percent of sales becomes part of the prize pool and 2 percent of sales is placed in the prize reserve fund. The MUSL has placed a \$ 52,000,000 cap on the prize reserve account and a \$ 25,000,000 cap on the set prize reserve account. Once the prize reserve accounts exceed the designated caps, the excess will become part of the prize pool. The prize reserve account serves as a contingency reserve fund to protect the MUSL in case of unforeseen, but valid liabilities for grand prize claims or for set prizes. The unreserved account serves as a MUSL operations and Powerball promotions expense account.

KANSAS LOTTERY

NOTES TO FINANCIAL STATEMENTS (Continued)

6 - Contingencies (Continued)

MUSL Prize Reserves (Continued)

The prize reserve and set prize reserve account monies are refundable to MUSL members if the MUSL disbands or if a member withdraws from MUSL. Members leaving MUSL must wait one year before receiving their refund. At June 30, 2000 and 1999, the prize reserve account had a balance of \$ 52,000,000, of which the Lottery's contribution was \$ 2,164,128. The set prize reserve at June 30, 2000 and 1999, had a balance of \$ 25,000,000, of which the Lottery's contribution was \$ 1,007,528. The unreserved account at June 30, 2000 and 1999, had a balance of \$ 15,130,048 and \$ 12,732,249, respectively, of which the Lottery's contribution was \$ 208,886 and \$ 154,755, respectively.

Cash 4 Life Reserve

MUSL also operates the Cash 4 Life game, a daily four of 100 lotto game, which started March 30, 1998. There are 11 state Lottery members (including Kansas) participating in the Cash 4 Life game. The grand prize is \$ 1,000 a week for the life of the winner, with guaranteed payments over a minimum of 10 years. Should there be more than three tickets matching four numbers in the grand prize category for a draw, those winners will share equally in a prize pool of three lifetime grand prizes. The remaining prizes are set cash prizes. Each member sells Cash 4 Life tickets through its retailers and makes weekly wire transfers to MUSL. The weekly transfer amount consists of 50 percent of the draw's sales less actual set cash prizes paid by the Lottery. The prize pool for all Cash 4 Life prize categories consists of 50 percent of each drawing period's sales, until the grand prize is funded to the guaranteed annuitized amount, then 48 percent of sales becomes part of the prize pool and 2 percent of sales is placed in the prize reserve fund. Once the prize reserve accounts exceed the designated caps, the excess will become part of the prize pool. The Cash 4 Life reserve account at June 30, 2000 and 1999 had a balance of \$ 6,557,320 and \$ 6,042,746 of which the Lottery's share was \$ 656,427 and \$ 593,539, respectively.

Win for Life

The Lottery purchases annuity contracts from insurance companies in the name of the Win for Life game jackpot prize winners. In the event an insurance company defaults on its payments, the Kansas Life and Health Insurance Guarantee Association (KLHIGA) will make the payments. The KLHIGA was statutorily created, as set forth in K.S.A. 40-3008, subsection (o), to provide coverage in the event an insurance company defaults. The Lottery remains contingently liable for the payment of the lifetime prizes in the event the insurance companies and the KLHIGA fail to meet their obligation.

KANSAS LOTTERY

NOTES TO FINANCIAL STATEMENTS (Continued)

6 - Contingencies (Continued)

Win for Life (Continued)

Annuity contracts have been purchased for lifetime prize payments. The approximate remaining prize payments are \$ 661,500. Prize payments are due in varying amounts through August 2007 or the life of the individuals.

Litigation

The Lottery is aware of certain claims that may be made against it. The final outcome of any claim or lawsuit is not presently determinable. Management does not anticipate the resolution of these matters to have a material adverse effect on the financial condition of the Lottery.

7 - Risk Management

The Lottery's risk management activities for workers' compensation and unemployment are recorded in the State Workers' Compensation Self-Insurance Fund and the Employment Security Fund, funds of the State of Kansas. The Lottery contributes to these funds based upon annual assessed rates.

Employees are offered various health insurance coverage programs of the State; the Lottery's contribution toward single member coverage ranges from 85 percent to 97 percent, based on salary level and tobacco usage of the employee.

State agencies are not allowed to purchase or carry insurance on any property owned by the State or its agencies, except as expressly and specifically authorized by statute. Currently, none of the exceptions apply to property of the Lottery. The State has had no problem in resolving losses in the past through utilization of resources available at the time the loss occurred. The Lottery retains liability for fixed asset damage.

Tort claims involving Lottery employees are subject to the Kansas Tort Claims Act (K.S.A. 75-6101, *et seq.*).

Employees' faithful performance is covered by commercial insurance. There has been no significant reduction in insurance coverage.

KANSAS LOTTERY

NOTES TO FINANCIAL STATEMENTS
(Continued)

8 - Operating Transfers

Pursuant to the Act, the Director of Accounts and Reports of the State of Kansas shall transfer monies in the Lottery operating fund to the State Gaming Revenue fund, at least monthly, in an amount equal to the monies in such fund in excess of those needed for payment of Lottery expenses, payment of compensation to retailers and transfers to the prize payment fund as certified by the Executive Director of the Lottery. The accumulated year-to-date transfers must be in an amount not less than 30.00 and 30.75 percent of total revenues from the sales of Lottery tickets during the fiscal years 2000 and 1999, respectively. The percent is based on total revenues from the sales of lottery tickets during the fiscal year. Transfers to the State Gaming Revenue fund of \$ 57,768,240 and \$ 60,970,377 were made for the years ended June 30, 2000 and 1999, respectively. Transfers were based on accrual basis net games revenue, plus additional percentages as required by the Legislature.

9 - Pension Plan

Plan description. The Lottery participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas Avenue, Suite 100; Topeka, Kansas 66603-3803) or by calling 1-800-228-0366.

Funding policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at four percent of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rates established by statute for calendar years 2000 and 1999, are 4.19 and 3.99 percent, respectively. The Lottery contributions to KPERS for the years ending June 30, 2000, 1999 and 1998, were approximately \$ 110,000, \$ 111,000 and \$ 100,000, respectively, equal to the statutory required contributions for each year.

KANSAS LOTTERY

NOTES TO FINANCIAL STATEMENTS

(Continued)

10 - Budget and Actual Comparison

As discussed in Note 2, the Lottery prepares an annual budget of expenses on a cash plus encumbrance basis. Expenses may not exceed budgeted amounts for total operating expenses or certain line items.

At June 30, 2000, there were only two separate line items budgeted: official hospitality and Kansas Incentive Program (KSIP) appropriations. Actual expenses were \$ 13,271 for KSIP appropriations out of the budgeted amount of \$ 31,434. Actual expenses for official hospitality were \$ 2,037 out of the budgeted amount of \$ 5,000 on a budgetary basis for the year ended June 30, 2000.

The following table presents a comparison of the legally adopted budget with actual data on a budgetary basis for years ended June 30, 2000 and 1999. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of resultant basis differences for the years ended June 30, 2000 and 1999, is also presented on the following page:

	<u>2000</u>	<u>1999</u>
Operating expenses excluding expenses for game prizes, retailer commissions, on-line games service bureau and on-line communications and ticket printing		
Actual	\$ <u>7,607,050</u>	\$ <u>8,386,320</u>
Budget	\$ <u>8,648,421</u>	\$ <u>8,426,875</u>

KANSAS LOTTERY

NOTES TO FINANCIAL STATEMENTS
(Continued)

10 - Budget and Actual Comparison (Continued)

	<u>2000</u>	<u>1999</u>
Operating expenses, budgetary basis	\$ 7,607,050	\$ 8,386,320
Adjustments		
Net increase (decrease) in accruals	(297,665)	288,361
Prior year encumbrances incurred, net of unreleased encumbrances	757,446	384,161
Depreciation	220,998	255,574
Nonbudgeted expenses:		
1) Game prizes, retailer commissions, on- line games service bureau, on-line communications expenses, and ticket printing	62,940,117	89,319,941
2) Prizes paid from Prize fund	65,579,408	41,871,971
Decrease (increase) in ticket inventory	265,574	(284,764)
Encumbrances at end of period	(197,659)	(377,444)
Capitalized expenditures	<u>(111,956)</u>	<u>(260,991)</u>
Operating expenses, GAAP basis	<u>\$ 136,763,313</u>	<u>\$ 139,583,129</u>

KANSAS LOTTERY

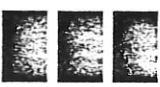
NOTES TO FINANCIAL STATEMENTS
(Continued)

11 - Operating Segment Information

Operating segment information by games was as follows:

	Year Ended June 30, 2000							
	<u>Instant</u>	<u>Pull Tabs</u>	<u>Powerball</u>	<u>Cash 4 Life</u>	<u>Kansas Cash</u>	<u>Keno</u>	<u>Pick 3</u>	<u>Total</u>
Sales, net	\$ 84,245,412	\$ 1,061,676	\$ 40,365,909	\$ 3,140,865	\$ 14,717,103	\$ 43,667,184	\$ 5,362,651	\$ 192,560,800
Prizes, net	(48,868,870)	(642,573)	(19,650,990)	(1,523,320)	(7,211,380)	(23,798,615)	(2,681,326)	(104,377,074)
Retailer commissions	<u>(5,004,762)</u>	<u>(53,084)</u>	<u>(2,283,225)</u>	<u>(175,888)</u>	<u>(824,158)</u>	<u>(2,445,363)</u>	<u>(300,308)</u>	<u>(11,086,788)</u>
Gross margin	<u>\$ 30,371,780</u>	<u>\$ 366,019</u>	<u>\$ 18,431,694</u>	<u>\$ 1,441,657</u>	<u>\$ 6,681,565</u>	<u>\$ 17,423,206</u>	<u>\$ 2,381,017</u>	<u>\$ 77,096,938</u>

	Year Ended June 30, 1999							
	<u>Instant</u>	<u>Pull Tabs</u>	<u>Powerball</u>	<u>Cash 4 Life</u>	<u>Kansas Cash</u>	<u>Keno</u>	<u>Pick 3</u>	<u>Total</u>
Sales, net	\$ 86,462,574	\$ 1,328,028	\$ 50,393,345	\$ 4,621,489	\$ 17,226,121	\$ 34,020,595	\$ 4,868,833	\$ 198,920,985
Prizes, net	(50,039,411)	(799,767)	(24,707,859)	(2,241,423)	(8,440,799)	(18,366,725)	(2,483,105)	(107,079,089)
Retailer commissions	<u>(5,027,527)</u>	<u>(66,401)</u>	<u>(2,739,667)</u>	<u>(294,792)</u>	<u>(966,806)</u>	<u>(1,785,213)</u>	<u>(253,442)</u>	<u>(11,133,848)</u>
Gross margin	<u>\$ 31,395,636</u>	<u>\$ 461,860</u>	<u>\$ 22,945,819</u>	<u>\$ 2,085,274</u>	<u>\$ 7,818,516</u>	<u>\$ 13,868,657</u>	<u>\$ 2,132,286</u>	<u>\$ 80,708,048</u>



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Legislative Post Audit Committee
Kansas State Legislature:

We have audited the financial statements of the Kansas Lottery as of and for the year ended June 30, 2000, and have issued our report thereon dated October 17, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Kansas Lottery's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Kansas Lottery's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and the Legislative Post Audit Committee of the Kansas State Legislature and is not intended to be and should not be used by anyone other than those specified parties.

Berberich Trahan & Co., P.A.

October 17, 2000



Bill Graves
Governor

Ed Van Petten
Executive Director

December 1, 2000

Ms. Karen L. Keehn, CPA
Shareholder
Berberich Trahan & Co., P. A.
800 SW Jackson Street, Suite 1300
Topeka, KS 66612-1268

Dear Ms. Keehn:

We have reviewed your draft of the Financial and Compliance Audit Report for the Kansas Lottery for the fiscal year ended June 30, 2000 and concur with the results of the audit.

We are very pleased that there were no "findings" to be reported.

As in the past, we certainly appreciate the professional manner in which you and your staff worked with our staff in the audit preparation.

Sincerely,



Ed Van Petten
Executive Director

HOW ARE KANSAS LOTTERY PROCEEDS DISTRIBUTED?



In Fiscal Year 2000, 30 cents of every dollar spent on a Kansas Lottery ticket was transferred to the state of Kansas. The State Gaming Revenues Fund receives transfers from receipts generated by the Kansas Lottery and the Kansas Racing and Gaming Commission.

Transfers of up to \$50 million are made from the gaming fund according to the following breakdown:

- 85 percent – Economic Development Initiatives Fund
- 10 percent – Correctional Institutions Building Fund
- 5 percent – Juvenile Detention Facilities Fund

Transfers for these purposes are limited to \$50 million in a given fiscal year. Any receipts above that amount are transferred to the State General Fund.

The 2000 Legislature enacted laws establishing and funding the "Problem Gambling Grant Fund." Effective July 1, 2000, \$100,000 is transferred into this fund. Of this amount, \$20,000 comes from the Bingo Regulation Fund and \$80,000 is paid out of the Gaming Revenues Fund, while the pari-mutuel racetracks contribute about 2 percent. The Kansas Department of Social and Rehabilitative Services will establish rules and regulations for the grant program, as well as administer the funds.

In Fiscal Year 2000, the Lottery transferred \$59,646,911 to the state of Kansas.

ECONOMIC DEVELOPMENT INITIATIVES FUND DISTRIBUTION AS BUDGETED FOR FISCAL YEAR 2000

Department of Commerce and Housing

Small Business Development Centers	\$485,000
Certified Development Companies	\$475,000
Kansas Industrial Training/Retraining	\$3,600,000
Trade Show Promotion	\$150,000
Capacity Planning Grants	\$197,000
Tourism Promotion	\$952,100
Wichita World Trade Center	\$41,889
Training Equipment	\$300,000
Agriculture Product Development	\$540,000
Travel Information Centers	\$15,000
Economic Opportunity Initiatives Fund	\$5,000,000
Exciting Industry Expansion	\$800,000
Main Street Development Grants	\$216,800
Motion Picture/Television Tax Rebate	\$75,000
Operations	\$7,006,215
Subtotal Commerce and Housing	\$19,854,004

Senate Fed + State

1-17-01

Attachment 2-1

ECONOMIC DEVELOPMENT INITIATIVES FUND FISCAL YEAR 2000

PAGE 2

Board of Regents

Matching Grants – AVTS	\$200,000
Post-secondary Aid – AVTS	\$6,707,144
Capital Outlay – AVTS	\$2,000,000
Subtotal Board of Regents.....	\$8,907,144

Kansas Technology Enterprise Corporation

Research Matching Grant	\$1,260,000
Business Innovative Research Grants	\$516,000
Centers of Excellence	\$3,552,640
EPSCoR	\$3,200,000
Special Projects	\$79,303
Commercialization Grants	\$1,690,000
Mid-America Manufacturing Technology Center	\$1,797,338
Operations	\$1,338,486
Subtotal KTEC	\$13,433,767

State Water Plan \$2,000,000

Kansas, Inc. \$189,563

Wildlife and Parks – Local Outdoor Recreation \$500,000

Eisenhower Museum Grant..... \$300,000

State Fair \$35,000

TOTAL Budgeted EDIF Expenditures – Fiscal Year 2000 \$45,219,478

This report was taken from:
The Governor's Budget Report, Volume 1; Recommendations and Budget Schedules: Fiscal Year 2001

KANSAS LOTTERY

To Date Activity 12/31/00

Net Sales	\$1,832,483,639	Game Prizes	\$950,436,116
FY 88	\$65,804,532	FY 88	\$30,123,006
FY 89	68,188,022	FY 89	33,755,427
FY 90	64,530,640	FY 90	28,941,942
FY 91	70,206,003	FY 91	32,800,224
FY 92	77,147,506	FY 92	37,304,320
FY 93	114,499,165	FY 93	58,865,299
FY 94	152,292,802	FY 94	79,390,419
FY 95	177,074,245	FY 95	92,074,812
FY 96	182,113,628	FY 96	96,088,069
FY 97	185,356,681	FY 97	99,351,785
FY 98	192,017,310	FY 98	101,688,863
FY 99	198,920,985	FY 99	107,079,089
FY 2000	192,560,800	FY 2000	104,377,074
FY 2001	91,771,320	FY 2001	48,595,787
Retailer Commissions	\$99,904,286	Transfers To State (Cash basis)	\$557,096,371
FY 88	\$3,618,110	FY 88 *	\$11,343,321
FY 89	3,602,985	FY 89	24,500,950
FY 90	3,318,244	FY 90	19,259,917
FY 91	3,657,131	FY 91	19,453,470
FY 92	4,071,319	FY 92	27,147,019
FY 93	5,819,600	FY 93	32,629,372
FY 94	7,845,162	FY 94	47,888,013
FY 95	9,145,434	FY 95	53,246,818
FY 96	9,949,228	FY 96	58,114,547
FY 97	10,409,462	FY 97	56,658,134
FY 98	10,935,736	FY 98	60,304,388
FY 99	11,133,848	FY 99	59,333,464
FY 2000	11,086,788	FY 2000	59,646,911
FY 2001	5,311,239	FY 2001	27,570,047

* Includes \$2,843,321 Loan & Interest Payback

** FY 2001 is UNAUDITED **

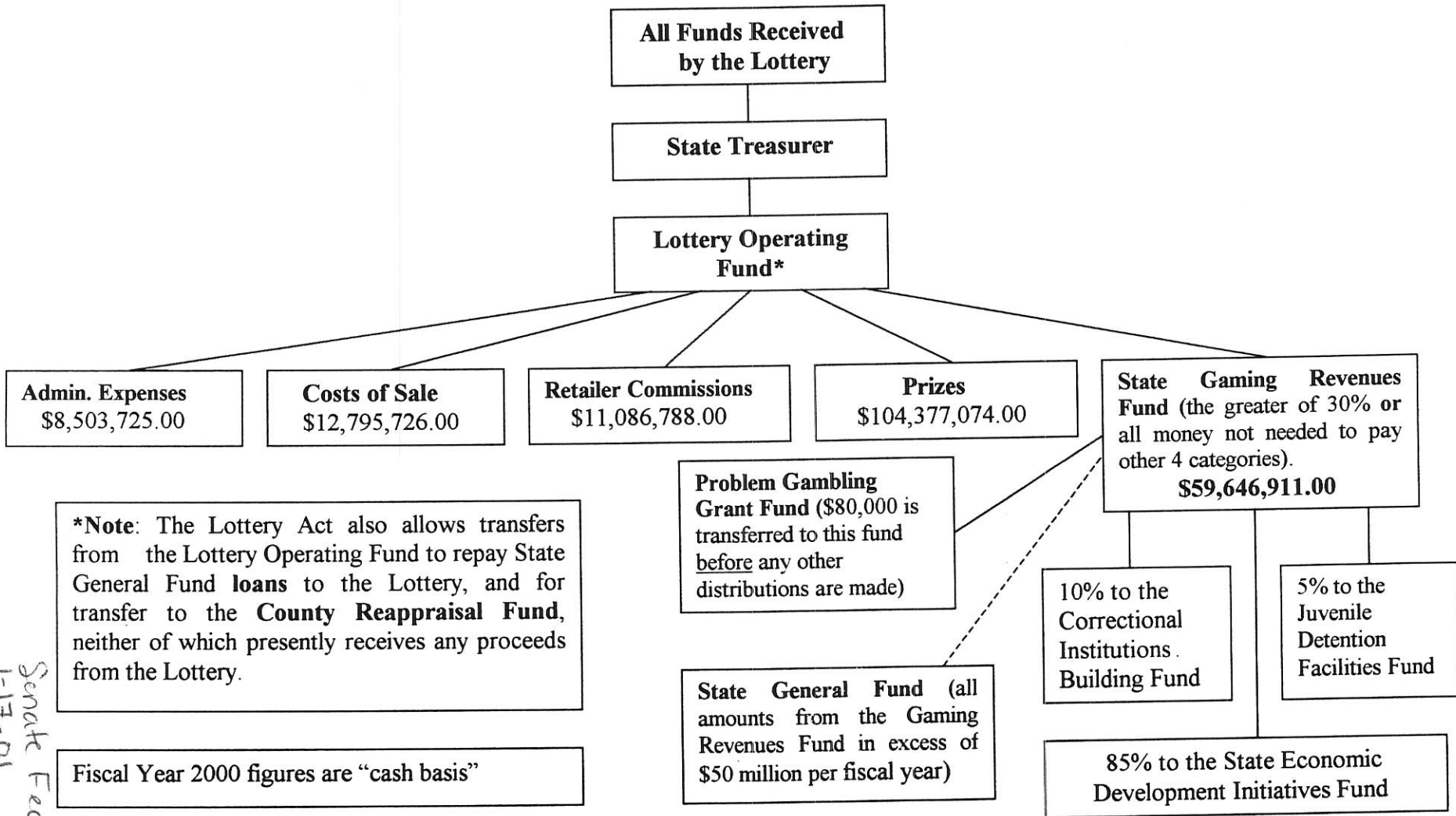
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Summary

Sen. Fed + State
1-17-01
Attachment 3-1

Senate Fed + State
1-17-01
Attachment 3-1

KANSAS LOTTERY FUNDS TRANSFER FY 2000



***Note:** The Lottery Act also allows transfers from the Lottery Operating Fund to repay State General Fund **loans** to the Lottery, and for transfer to the **County Reappraisal Fund**, neither of which presently receives any proceeds from the Lottery.

Fiscal Year 2000 figures are "cash basis"

Revised 01-09-01

Senate Fed + State
1-17-01
Attachment 4-1

Attachment 4-1
Senate Fed + State
1-17-01

Kansas Lottery 1997 Tracking Study

Demographics

	Total	Non Players	Former Players	Active Players		
				Annual	Occasional	Regular
Age						
18-29	18%	12%	15%	21%	19%	15%
30-39	25%	23%	23%	27%	31%	21%
40-54	30%	27%	30%	27%	30%	35%
55 & up	29%	37%	30%	25%	19%	28%
Education						
Some High School	6%	7%	4%	8%	4%	9%
High School Graduate	32%	22%	30%	37%	33%	43%
Some College	27%	23%	31%	25%	30%	26%
College Degree or above	34%	47%	34%	31%	34%	22%
Income						
Up to 15K	11%	11%	12%	17%	8%	13%
15K up to 20K	7%	10%	5%	9%	4%	6%
20K up to 40K	32%	26%	35%	25%	34%	36%
40K or more	40%	37%	34%	40%	46%	38%
Gender						
Male	50%	49%	44%	46%	51%	56%
Female	50%	51%	57%	54%	49%	44%

* Figures may not equal 100% due to rounding.

- ⇒ Non-players are more likely than former players or active players to have a college degree or more.
- ⇒ Over half of regular players (55%) have annual incomes of less than \$40K; 38% have incomes of \$40K or more.
- ⇒ More males than females are regular players; more females than males are former players.
- ⇒ Regular players tend to be slightly older, less educated, and have a lower household income than occasional players.



Bill Graves
Governor

Ed Van Petten
Executive Director

TESTIMONY ON SENATE BILL 22

By: Ed Van Petten, Executive Director - Kansas Lottery
January 17, 2001

Madam Chair and Members of the Committee:

I appreciate the opportunity to address this committee and discuss issues that have arisen, and inform you of the actions taken to address the issues. I will do my best to address the issues in chronological order as they have occurred.

Department of Administration Investigation. Approximately one year ago, as a result of an anonymous letter addressed to the Lieutenant Governor and the Attorney General, the Legal Division of the Department of Administration was asked to spearhead a personnel investigation regarding allegations made in the anonymous correspondence. This was a personnel investigation, which was confidential in nature pursuant to K.S.A. 45-221(a)(4) and K.A.R. 1-13-1a(c). As you are aware, these provisions protect the confidentiality of employees sharing information during the course of the investigation, as well as anyone against whom disciplinary action is taken. One of the primary goals of the lottery administration is to protect the privacy of our employees.

The statements also referenced the potential for litigation. Therefore, any information contained in the files or reports generated is confidential in nature based upon the attorney-

client privilege. Even though a report purporting to be drafted by the Department of Administration was divulged, this matter is confidential. Based upon the investigation, disciplinary action was taken against a number of employees.

In addition, training was provided to all employees and supervisors at the Lottery to educate them regarding future behavior, and their rights and responsibilities regarding such behavior.

Sales Promotions. During the investigation by the Department of Administration, questions arose regarding the legality of some second-chance drawings being held at retail locations. The second-chance drawings were not lottery-sponsored. However, the retailers did involve lottery products. On very rare occasions, lottery employees were requested by the retailers to be present and they did comply, sometimes even assisting with the drawings. This practice was not found to be illegal. However, it was determined that if the practice was going to continue, that guidelines should be implemented. Guidelines were adopted on January 28, 2000, and to the best of my knowledge, have been fully complied with since that time.

1999 State Fair Drawing. In 1999, the Lottery conducted a drawing at the State Fair for a Buick Century. This was part of the celebration of the end of the century and the coming of the year 2000. In addition, there were drawings for twenty-one \$2,000 prizes, commemorating the year 2000 and the 21st century. A lottery employee placed the name of his brother-in-law on some discarded non-winning lottery tickets, and placed the tickets in the draw pool. The employee involved also drew the winning tickets, including one of the \$2,000 winning tickets with his brother-in-law's name placed thereon. The name was recognized immediately by lottery personnel and an investigation was conducted. The prize was declined by the brother-in-law, and

the prize was awarded to the first alternate in the drawing. As is lottery policy, any time there is a drawing for a substantial prize, a number of alternate winners are drawn sequentially in the event a winning player does not claim the prize, or in the event it is an improper entry.

Disciplinary action was taken in this situation, but as personnel matters are confidential, I cannot discuss the nature of the action taken any further.

Cash Discrepancies at the State Fair. There has also been some mention that there have been substantial cash shortages in the lottery operations at the State Fair. The Lottery owns a building at the Kansas State Fair with lottery employees selling tickets during the Fair. This year's sales at the Fair totaled \$171,261.

In 1997, there was a total cash shortage of \$5,014. Based upon that shortage, an audit was performed by a Topeka CPA firm which found that internal accounting controls were adequate, and any shortfalls had to result from, ". . . the occasional miscounting of cash as in giving change to a customer." The auditor noted, "As in most retail environments, a perfect internal control system cannot prevent the occasional miscounting of cash." Despite the audit's finding that there was no indication of theft or wrongdoing on the part of any employee or employees, recommendations were made and implemented to further assure that losses would be prevented. Again, in 1999, a different CPA firm was requested to audit the procedures followed at the State Fair by lottery staff. Subsequent to the audit, the report stated,

"We conclude that the shortage, while minimal in relation to sales, must be due to the normal cash loss that can be expected and is experienced in any cash sales business. This is especially true with activities at the Fair, where inexperienced

individuals are handling money, making complicated transactions, and are under constant pressure to rush due to the long lines.”

In 1999, the cash shortage for ticket sales at the State Fair fell to approximately one percent of the reported ticket sales during the fair. In the year 2000, this amount fell to \$565, which constitutes approximately 0.3 percent of the cash receipts above stated. All of the figures above-mentioned are well within the norms of businesses involved in the handling of cash. This, however, has not been good enough, and we feel that based upon the additional training received by lottery personnel staffing the lottery building at the Kansas State Fair, we have been able to further reduce the amount, as stated, for the year 2000.

Altered Non-Winning Tickets. In the month of March 2000, lottery security received a complaint regarding a seriously defaced winning lottery ticket. The report led to inquiries by the lottery security director, and ultimately a criminal investigation by the KBI. As has been widely reported, the investigation led to criminal charges, which are now pending. The District Court of Shawnee County, Kansas, has issued a gag order regarding the criminal case, and no further information can be released or discussed at this time.

Computer Security. Immediately upon being appointed by Governor Graves to serve as the Executive Director of the Kansas Lottery, I requested the assistance of the Department of Administration to analyze the computer security at the Kansas Lottery, and assist the Lottery in identifying any potential problems. After the Department of Administration analysis, I contracted with IBM to conduct a full security review. Sharon Combs, an AS/400 security expert, conducted a review beginning the second week of October 2000. On October 13, 2000, she gave a full report to Lottery and Department of Administration personnel, with

recommendations for implementation of additional security measures on the AS/400 production system. Even though recommendations were made for tightening security, it should be pointed out that the findings were that the system was not "wide open," meaning that any manipulation of the system would require a working knowledge of the Lottery's computer system and software.

Additional auditing software was purchased by the Lottery and installed, as well as software to prevent access into the gaming system from outside sources, for instance, PC's in the work area of the Kansas Lottery. Based upon the implementation of additional security features and the addition of auditing software, as well as the software safeguarding access from outside sources, the Kansas Lottery is now operating at a security level of "40." According to the IBM security code description, this level is designed, ". . . to protect both the system and the objects on the system from tampering by experienced system users." It should be noted that there are five levels of security on the AS/400 system. Those levels being level 10, level 20, level 30, level 40, and level 50. Level 50 is only recommended in situations that deal with highly confidential materials such as top-secret documents at the Department of Defense. It is not practical for the Kansas Lottery to operate at a security level 50, as the number of personnel needed to complete each job function increases dramatically.

At this point, although I cannot guarantee to the legislature that tampering will not occur on the computer system at the Kansas Lottery, I can guarantee that any tampering would be detected within an extremely short period of time.

Deficit Operation. There have been recent reports printed about "deficit operation" of the Lottery. The Kansas Lottery has operated at a loss for the last five years, with the operating loss for Fiscal Year 2000 being \$983,942, the largest of the five year deficits. Retained earnings

for the Kansas Lottery have dropped from approximately \$5.2 million five years ago to \$840,670 at the beginning of FY 2001.

Kansas law requires that the Lottery transfer 30 percent of net sales to the State Treasurer. In addition, since FY 1992, the legislature has mandated that the Kansas Lottery transfer \$17.5 million over and above the 30 percent transfer rate. Therefore, it is misleading to state that the Lottery has been operating at a deficit.

I have determined, however, that this trend cannot continue and have taken a number of steps to reduce the potential for deficit operations. We have determined that 0.56 percent additional payout on instant tickets, which was made in FY 2000, accounted for an additional \$1.2 million for cost-of-sales. This figure alone would offset the deficit operation for FY 2000. Therefore, by restructuring prize payments on instant games, substantial gain can be made regarding the operational budget of the Lottery.

We are also reviewing the operation of low-volume retailers who, in effect, are being subsidized by the Lottery in their operations. Certain low-volume retailers are paying more for telecommunication services and delivery of product than the retailers generate in sales revenue of lottery products. This is due to a number of reasons, but usually due to saturation of certain markets. The legislature should be aware that the state's 30 percent transfer is received by the State Treasurer on all sales, even in the event the operations costs exceed the benefit to the Kansas Lottery budget.

Based upon our present review of operations expenses, with the implementation of changes made in the last quarter, the Kansas Lottery is now operating in the *black* by a very narrow margin.

Inappropriate Materials on Lottery Computers. There have been two occasions in the last year when inappropriate materials have been discovered by lottery personnel on computers at the Kansas Lottery. The first event occurred on August 28, 2000, when the information technology division was installing security software on personal computers used in the Kansas Lottery. On that occasion, there was one computer that was used by the entire lottery staff to access the Kansas Lottery web page for updating draw information and making any other changes necessary.

In the course of installing software to enhance the security on the unit, a file was discovered that contained three sections with audio material, one of which was obscene in nature, and one section that contained video that was pornographic. The four sections in the file were reviewed by the human resources manager, the manager of the information technology unit, and myself. It was determined by the information technology unit that, due to the total lack of security on that particular unit, it would be impossible to determine who downloaded the information on the hard drive of the computer. It did appear that all of the information had been downloaded from a separate disk rather than from the Internet.

Based upon initial interviews, it was determined that eight employees in the Kansas Lottery were the primary users of the computer. These individuals were interviewed and none of them had personal knowledge of any of the inappropriate materials that had been downloaded onto the hard drive of the computer.

All inappropriate material was removed from the hard drive of the computer and maintained on a disk by the security division of the Kansas Lottery. The computer was then put back in service, and within one month security software had been installed that enabled the

auditing of each person having access to the computer. There has been no further mention of any of the materials that were found on August 28, 2000, until recent news accounts.

On September 28, 2000, inappropriate materials were found on a computer that was in the storage section of the Kansas Lottery information technology unit. This material was not pornographic in nature, however, was inappropriate. At that time, I directed the security division of the Kansas Lottery to investigate this matter.

The information in question was placed on the computer during 1996 and 1997, at a time when new software had been loaded onto the computer for the purpose of assisting graphic design. The investigation did not determine that any of the information was altered or manipulated during normal employment hours, and was done with the knowledge of all of the employees whose photographs were altered. The investigation did show that, while inappropriate, the actions were taken in an attempt to become more familiar with the editing software that had been placed on the computer. Personnel actions were taken regarding the inappropriate material. These inappropriate actions occurred approximately four years ago with the knowledge of other Lottery personnel. Employees involved were counseled in October 2000, regarding the appropriate use of Kansas Lottery resources.

The security investigation did show that the computer in question was entirely out of service since June 8, 2000, and had been used only intermittently for approximately one year before that.

Based upon these two findings, and the fear that Kansas Lottery computers had previously been used inappropriately, I requested that the Department of Administration, Division of Information Systems and Communications (DISC) conduct a full PC audit of all

PC's in the Kansas Lottery offices. This was done with two additional computers being found to have inappropriate materials on them. Again, personnel actions were taken with regard to these discoveries. At this time, it is my good faith belief that all employees in the Kansas Lottery have been fully instructed in the appropriate use of state-owned computer systems, and are compliant with those instructions.

Holiday Receptions. GTECH and I discussed holding holiday receptions for all employees. In checking with the Kansas Ethics Commission, we determined the receptions were appropriate.

CURRENT ISSUES

Demographic Studies:

The Kansas Lottery periodically contracts to have a demographic survey done to determine best methods of advertising and marketing. To determine marketing techniques, we determine who the typical Kansas Lottery player is. In 1997, the demographic survey showed that only 13.0 percent of people with an annual household income under \$15,000 regularly play the lottery. This number dropped to 6.0 percent for persons with a household income of \$15,000 to \$20,000. Compare that to 36.0 percent of the populous being regular players with a household income of \$20,000 to \$40,000, and 38.0 percent of the populous in the income bracket over \$40,000 being regular players. These numbers held true in a 1993 survey conducted also. Both surveys were conducted by Market Strategies, Inc., a Portland, Oregon, research firm. The numbers for occasional players in the lower income brackets were even lower than the figures for regular play. Statistics such as this suggest that the perception held by some individuals that the Lottery is an "unfair tax upon the poor" is not founded.

Reasons for Renewal:

Obviously, as stated by Governor Graves in his State of the State address, non-renewal of the Lottery will mean that the Kansas legislature must either replace approximately \$60 million of public money with tax revenue, cut spending by a like amount, or a combination of the two. Over the past several years, there can be no question that the Kansas Department of Commerce and Housing has successfully employed a system of enhancing economic development in this state that has increased the tax base, as well as providing numerous professional positions for young adults who have been provided their education in our colleges and universities. The funding of various initiatives through the Economic Development Initiatives Fund has provided benefits to this state that will not be known for years to come. Whether or not someone favors the operation of the Lottery, the benefits to this state in the form of providing job opportunities through funding made possible by the Kansas Lottery are obvious. Forty-two and a half million dollars was provided for these purposes in FY 2000, with the additional funds generated by the Lottery going to the Correctional Institutions Building Fund, Juvenile Detention Facilities Fund, and \$9.6 million going into the General Fund of the State of Kansas.

The operation of the Kansas Lottery generates payroll of over \$3 million, and with the payroll of GTECH, our online vendor, the Kansas-based payroll exceeds \$4 million. Commissions and bonuses paid to Kansas retailers were over \$11 million in FY 2000, averaging over \$6,000 per retailer. In addition, over \$104 million in prize payments were made to people playing the lottery in the State of Kansas. This is all taxable as Kansas source income. The beneficial economic impact is unquestioned.

I appreciate the opportunity to appear before this committee to provide information for your consideration. I also welcome inquiry at any time in the event you have additional questions or concerns. The one thing I can assure this committee is that I will devote all of my attention to preserving the integrity of the Kansas Lottery and providing the maximum transfer possible with responsible operation of your state agency.

Program	Business/Recipient	Amount	City
Allen (AL)			
Attraction Development Grant	Humboldt Historical Society, LLC	\$658	Humboldt
Attraction Development Grant	Humboldt Historic Days Committee	\$2,180	Humboldt
<i>Allen County Total</i>		<u>\$2,838</u>	
Anderson (AN)			
Attraction Development Grant	Gerth Cabin Preservation (AN County Pres. Soc.)	\$5,000	Greeley
<i>Anderson County Total</i>		<u>\$5,000</u>	
Atchison (AT)			
Kansas Trade Show Assistance Prog.	Midwest Grain Products, Inc.	\$1,500	Atchison
Training Equipment Grant	Northeast Kansas Area Technical School	\$46,896	Atchison
<i>Atchison County Total</i>		<u>\$48,396</u>	
Barber (BA)			
Kansas Industrial Retraining	Radiofrequency Safety International Corp.	\$3,130	Kiowa
Kansas Industrial Training	Radiofrequency Safety International Corp.	\$8,290	Kiowa
<i>Barber County Total</i>		<u>\$11,420</u>	
Bourbon (BB)			
Ag. Products Development	Rainbow Organic Farms	\$58,800	Bourbon Co.
Incentives Without Walls (Main Street)	Downtown Fort Scott Program	\$15,000	Fort Scott
Kansas Industrial Training	Tower Metal Products LP	\$15,000	Fort Scott
Kansas Industrial Training	Great-West Life & Annuity Insurance Co.	\$65,000	Fort Scott
KS Econ. Opportunity Initiatives Fund	Nu Alpha	\$100,000	Ft. Scott
<i>Bourbon County Total</i>		<u>\$253,800</u>	
Brown (BR)			
Community Capacity Building	City of Sabetha	\$15,000	Sabetha
<i>Brown County Total</i>		<u>\$15,000</u>	

Senate Fed+ State
 1-17-01
 Attachment 7-1

Senate Fed+ State
 1-17-01
 Attachment 7-1

Program	Business/Recipient	Amount	City
Barton (BT)			
Attraction Development Grant	Great Bend Holiday Spirit	\$20,000	Great Bend
Kansas Trade Show Assistance Prog.	T&C Mfg & Operating, Inc.	\$1,199	Great Bend
Kansas Trade Show Assistance Prog.	Little Giant Fittings Co.	\$1,154	Great Bend
<i>Barton County Total</i>		<u>\$22,353</u>	
Butler (BU)			
Community Capacity Building	Butler County	\$10,000	El Dorado
<i>Butler County Total</i>		<u>\$10,000</u>	
Cloud (CD)			
Attraction Development Grant	Glasco Community Foundation	\$12,000	Glasco
Community Capacity Building	City of Clyde	\$10,000	Clyde
<i>Cloud County Total</i>		<u>\$22,000</u>	
Coffey (CF)			
Kansas Industrial Training	Rock Creek Woodworks	\$20,000	Lebo
<i>Coffey County Total</i>		<u>\$20,000</u>	
Cherokee (CK)			
Kansas Industrial Retraining	Jayhawk Fine Chemicals Corporation	\$80,000	Galena
Kansas Industrial Retraining	Ingersoll-Randall Waterjet Systems	\$37,824	Baxter Springs
Kansas Industrial Training	Jayhawk Fine Chemicals Corporation	\$25,000	Galena
Kansas Industrial Training	Columbus Custom Molding, Inc.	\$8,400	Columbus
<i>Cherokee County Total</i>		<u>\$151,224</u>	

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Program	Business/Recipient	Amount	City
Cowley (CL)			
Incentives Without Walls (Main Street)	Winfield Main Street	\$5,744	Winfield
Incentives Without Walls (Main Street)	Winfield Main Street	\$3,000	Winfield
Kansas Industrial Retraining	Rubbermaid HPD	\$100,000	Winfield
Kansas Industrial Training	Good Time Productions, Inc.	\$20,000	Arkansas City
Kansas Industrial Training	Energy Plus (dba Strother Mfg.)	\$20,000	Winfield
Kansas Industrial Training	Central Plains Book Mfg.	\$75,000	Winfield
KS Existing Industry Expansion Prog.	Goodtime Productions	\$10,250	Arkansas City
<i>Cowley County Total</i>		<u>\$233,994</u>	
Chautauqua (CQ)			
Attraction Development Grant	Armstrong, Donald Norman	\$42,920	Sedan
<i>Chautauqua County Total</i>		<u>\$42,920</u>	
Crawford (CR)			
KS Econ. Opportunity Initiatives Fund	Innovative Marketing	\$50,000	Pittsburg
Certified Development Company	Mid America Incorporated	\$74,039	Pittsburg
Kansas Industrial Retraining	Able Body Corporation	\$48,932	Pittsburg
Small Business Development Ctr.	Pittsburg State University	\$37,682	Pittsburg
<i>Crawford County Total</i>		<u>\$210,653</u>	
Chase (CS)			
Attraction Development Grant	Homestead Ranch Guest Programs, LLC	\$4,633	Matfield Green
<i>Chase County Total</i>		<u>\$4,633</u>	
Douglas (DG)			
Ag. Products Development	Pines International	\$48,238	Lawrence
Attraction Development Grant	Lawrence Arts Center, Inc.	\$25,000	Lawrence
Certified Development Company	Wakarusa Valley Development	\$15,382	Lawrence
Foods and Feeds	Central Soyfoods	\$50,000	Lawrence
Kansas Industrial Retraining	Allen Press, Inc.	\$60,000	Lawrence
Kansas Industrial Training	Premier Capital	\$50,000	Lawrence
Kansas Industrial Training	Allen Press, Inc.	\$65,000	Lawrence

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Program	Business/Recipient	Amount	City
Douglas (continued)			
Kansas Trade Show Assistance Prog.	Sunlite Science & Technology	\$1,099	Lawrence
Kansas Trade Show Assistance Prog.	Oasis Truck Conversions	\$700	Lawrence
Kansas Trade Show Assistance Prog.	Kantronics Company, Inc.	\$1,500	Lawrence
Kansas Trade Show Assistance Prog.	Iris Technologies, LLC	\$1,500	Lawrence
Kansas Trade Show Assistance Prog.	Iris Technologies, LLC	\$1,075	Lawrence
Kansas Trade Show Assistance Prog.	Iris Technologies, LLC	\$425	Lawrence
Kansas Trade Show Assistance Prog.	Carrousel Trading Co.	\$1,375	Lawrence
Kansas Trade Show Assistance Prog.	Backroads Data	\$379	Baldwin City
KS Econ. Opportunity Initiatives Fund	University of Kansas Center for Research	\$100,000	Lawrence
KS Econ. Opportunity Initiatives Fund	Clinton Lake Resort	\$464,500	Lawrence
KS Econ. Opportunity Initiatives Fund	Clinton Lake Resort	\$10,500	Lawrence
Small Business Development Ctr.	University of Kansas	\$28,374	Lawrence
<i>Douglas County Total</i>		<u>\$925,047</u>	
Dickinson (DK)			
Kansas Trade Show Assistance Prog.	Roof Mart International	\$2,500	Chapman
Kansas Trade Show Assistance Prog.	Quality Power Products, Inc.	\$3,500	Abilene
	Sports Hall of Fame	\$50,000	Abilene
	Eisenhower Center	\$300,000	Abilene
<i>Dickinson County Total</i>		<u>\$356,000</u>	
Edwards (ED)			
Community Capacity Building	City of Kinsley	\$15,000	Kinsley
<i>Edwards County Total</i>		<u>\$15,000</u>	
Ellis (EL)			
KS Econ. Opportunity Initiatives Fund	Contact America	\$40,000	Victoria
Attraction Development Grant	Society of Friends of Historic Fort Hays	\$1,123	Hays
Attraction Development Grant	Hays CVB	\$10,080	Hays
Kansas Industrial Training	Contact America Inc.	\$65,000	Victoria
Small Business Development Ctr.	Fort Hays State University	\$33,538	Hays
<i>Ellis County Total</i>		<u>\$149,741</u>	

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Program	Business/Recipient	Amount	City
Finney (FI)			
Small Business Development Ctr.	Garden City Community College	\$28,981	Garden City
Training Equipment Grant	Garden City Community College	\$52,452	Garden City
<i>Finney County Total</i>		<u>\$81,433</u>	
Ford (FO)			
Attraction Development Grant	Boot Hill Repetory Company, Inc.	\$67,123	Dodge City
Attraction Development Grant	Boot Hill Museum, Inc.	\$50,000	Dodge City
Certified Development Company	Great Plains Development Inc	\$31,172	Dodge City
Kansas Industrial Retraining	Curtis Machine Company, Inc.	\$62,045	Dodge City
Kansas Trade Show Assistance Prog.	Curtis Machine Company, Inc.	\$1,905	Dodge City
Kansas Trade Show Assistance Prog.	Curtis Machine Company, Inc.	\$1,205	Dodge City
<i>Ford County Total</i>		<u>\$213,450</u>	
Franklin (FR)			
KS Econ. Opportunity Initiatives Fund	American Eagle	\$350,000	Ottawa
Attraction Development Grant	Franklin County Convention & Tourism Bureau	\$2,000	Ottawa
Kansas Industrial Training	EFTC	\$5,876	Ottawa
KS Existing Industry Expansion Prog.	Heartland China, Inc.	\$50,000	Ottawa
<i>Franklin County Total</i>		<u>\$407,876</u>	
Geary (GE)			
KS Existing Industry Expansion Prog.	Venator Group	\$35,000	Junction City
Attraction Development Grant	City of Junction City	\$40,000	Junction City
Kansas Industrial Training	Genmar Manufacturing of Kansas	\$75,000	Junction City
<i>Geary County Total</i>		<u>\$150,000</u>	
Graham (GH)			
Attraction Development Grant	Morland Community Foundation, Inc.	\$12,850	Morland
Certified Development Company	Pioneer Country Development	\$29,853	Hill City
<i>Graham County Total</i>		<u>\$42,703</u>	

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Program	Business/Recipient	Amount	City
Gove (GO)			
Kansas Industrial Retraining	Hober Reed Inc. (dba Swift Bullet Company)	\$1,755	Quinter
<i>Gove County Total</i>		<u>\$1,755</u>	
Harvey (HV)			
Kansas Industrial Retraining	Hay & Forage Industries	\$82,000	Hesston
Kansas Industrial Training	Hay & Forage Industries	\$80,000	Hesston
Kansas Trade Show Assistance Prog.	Unruh Fabricators, Inc.	\$1,500	Sedgwick
Kansas Trade Show Assistance Prog.	Gourmet Chocolate, Inc.	\$1,332	Halstead
Kansas Trade Show Assistance Prog.	Gourmet Chocolate, Inc.	\$1,137	Halstead
Kansas Trade Show Assistance Prog.	Continental Agra Equipment, Inc.	\$1,190	Newton
KS Econ. Opportunity Initiatives Fund	Nelson Company	\$20,000	Walton
<i>Harvey County Total</i>		<u>\$187,159</u>	
Jackson (JA)			
Attraction Development Grant	Jackson County Tourism Council	\$2,400	Holton
Community Capacity Building	City of Holton	\$15,000	Holton
<i>Jackson County Total</i>		<u>\$17,400</u>	
Jefferson (JF)			
Kansas Trade Show Assistance Prog.	Quadri, Inc.	\$1,500	Perry
<i>Jefferson County Total</i>		<u>\$1,500</u>	
Johnson (JO)			
Ag. Products Development	Gourmet Ethnic Breads	\$12,000	Overland Park
KS Existing Industry Expansion Prog.	Clinical Reference Laboratories	\$100,000	Lenexa
Attraction Development Grant	Shawnee Area Chamber of Commerce/CVB	\$6,939	Shawnee
Attraction Development Grant	City of Overland Park	\$12,000	Overland Park
Kansas Industrial Retraining	Waddell & Reed Financial, Inc.	\$61,143	Overland Park
Kansas Industrial Retraining	Midland Research Labs	\$8,250	Shawnee Mission
Kansas Industrial Retraining	Eiko, Ltd.	\$12,600	Shawnee
Kansas Industrial Retraining	Computer Concepts Corporation	\$46,674	Lenexa
Kansas Industrial Retraining	CGU/AGRI Insurance	\$57,000	Lenexa

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Program	Business/Recipient	Amount	City
Johnson (continued)			
Kansas Industrial Retraining	Bayer Corporation-Animal Health	\$100,000	Shawnee
Kansas Industrial Training	SKC Electric, Inc.	\$75,000	Lenexa
Kansas Industrial Training	Schlumberger, RMS	\$56,000	Lenexa
Kansas Industrial Training	PRG, Inc.	\$63,781	Lenexa
Kansas Industrial Training	Peripheral Vision Infosystem, Inc.	\$40,000	Overland Park
Kansas Industrial Training	LabOne, Inc.	\$40,000	Lenexa
Kansas Industrial Training	Kraft Tool Company	\$24,500	Shawnee Mission
Kansas Industrial Training	FMH Benefit Services, Inc.	\$20,000	Shawnee Mission
Kansas Industrial Training	Field House, Inc.	\$16,021	Overland Park
Kansas Industrial Training	Emery Expedite, Inc.	\$86,000	Overland Park
Kansas Industrial Training	Dimensional Innovations, Inc.	\$160,000	Overland Park
Kansas Industrial Training	Clinical Reference Laboratory	\$10,000	Lenexa
Kansas Industrial Training	ChoicePoint	\$45,000	Overland Park
Kansas Industrial Training	cGMP Validation L.L.C.	\$28,000	Mission
Kansas Industrial Training	AAFP Foundation	\$10,671	Leawood
Kansas Industrial Training	AAFP (American Academy of Family Physicians)	\$145,110	Leawood
Kansas Industrial Training	A D Jacobson Holding Co., Inc.	\$80,000	Lenexa
Kansas Trade Show Assistance Prog.	XLR8R, LLC	\$2,193	Overland Park
Kansas Trade Show Assistance Prog.	Vitalograph, Inc.	\$3,000	Lenexa
Kansas Trade Show Assistance Prog.	Vitalograph, Inc.	\$1,040	Lenexa
Kansas Trade Show Assistance Prog.	Traq-It, Inc.	\$1,500	Overland Park
Kansas Trade Show Assistance Prog.	Traq-It, Inc.	\$1,500	Overland Park
Kansas Trade Show Assistance Prog.	Smith & Loveless, Inc.	\$1,500	Lenexa
Kansas Trade Show Assistance Prog.	Seasons Clock Systems	\$1,150	Shawnee
Kansas Trade Show Assistance Prog.	Osborn Laboratories	\$1,650	Olathe
Kansas Trade Show Assistance Prog.	Norair Equipment Corporation	\$2,080	Overland Park
Kansas Trade Show Assistance Prog.	Norair Equipment Corporation	\$1,200	Overland Park
Kansas Trade Show Assistance Prog.	Mr. Goodcents	\$925	Lenexa
Kansas Trade Show Assistance Prog.	MotionWatch	\$871	Lenexa
Kansas Trade Show Assistance Prog.	Miner Technologies, Inc.	\$1,500	Shawnee Mission
Kansas Trade Show Assistance Prog.	Leawood Export Finance, Inc.	\$3,036	Leawood
Kansas Trade Show Assistance Prog.	Hawkeye International	\$1,225	Shawnee Mission

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ansas Department of Commerce Housing

Program	Business/Recipient	Amount	City
Johnson (continued)			
Kansas Trade Show Assistance Prog.	Creative Brushes	\$1,500	Shawnee Mission
Kansas Trade Show Assistance Prog.	Biomune Co.	\$3,500	Shawnee Mission
Kansas Trade Show Assistance Prog.	Applied Reasoning	\$3,500	Overland Park
Kansas Trade Show Assistance Prog.	Applied Reasoning	\$1,500	Overland Park
KS Econ. Opportunity Initiatives Fund	Transportation.com	\$100,000	Overland Park
KS Econ. Opportunity Initiatives Fund	Specialized Packaging Co.	\$25,000	Lenexa
KS Econ. Opportunity Initiatives Fund	Rehrig Pacific	\$40,000	DeSoto
KS Econ. Opportunity Initiatives Fund	Mayer, Hoffman, & McCann	\$300,000	Johnson Co.
KS Econ. Opportunity Initiatives Fund	Martin Dawes Systems	\$275,000	Overland Park
KS Econ. Opportunity Initiatives Fund	Lockton Companies	\$350,000	Jo. Co.
KS Econ. Opportunity Initiatives Fund	Interstate Bakeries	\$175,000	Lenexa
KS Econ. Opportunity Initiatives Fund	GeoAccess	\$350,000	Lenexa
KS Econ. Opportunity Initiatives Fund	Farmers Insurance	\$400,000	Olathe
KS Econ. Opportunity Initiatives Fund	Diversified Consulting Resources, Inc.	\$40,000	Overland Park
KS Econ. Opportunity Initiatives Fund	Daimler Chrysler	\$125,000	Johnson Co.
KS Econ. Opportunity Initiatives Fund	CFS West Foods	\$100,000	New Century
KS Econ. Opportunity Initiatives Fund	Cellnet Data Svcs.	\$50,000	Lenexa
KS Econ. Opportunity Initiatives Fund	Butler Manufacturing	\$500,000	Johnson Co.
KS Econ. Opportunity Initiatives Fund	AmeriServe Food Distribution, Inc. (Software)	\$100,000	Lenexa
Metro. Community Capacity Building	Johnson County	\$20,000	Olathe
Metro. Community Capacity Building	City of Edgerton	\$25,000	Edgerton
Small Business Development Ctr.	Johnson County Community College	\$45,913	Overland Park
<i>Johnson County Total</i>		<u>\$4,371,972</u>	
Kingman (KM)			
Attraction Development Grant	Santa Fe Depot Foundation	\$5,000	Kingman
<i>Kingman County Total</i>		<u>\$5,000</u>	

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Program	Business/Recipient	Amount	City
Labette (LB)			
Attraction Development Grant	City of Parsons	\$20,000	Parsons
Kansas Trade Show Assistance Prog.	Taylor Products Company, Inc.	\$3,500	Parsons
Kansas Trade Show Assistance Prog.	Taylor Products Company, Inc.	\$1,847	Parsons
Kansas Trade Show Assistance Prog.	Renegade Tool, LLC	1500	Parsons
Kansas Trade Show Assistance Prog.	Renegade Tool, LLC	\$1,500	Parsons
Kansas Trade Show Assistance Prog.	Power Flame, Inc.	\$3,132	Parsons
KS Econ. Opportunity Initiatives Fund	Labette County State Bank	\$170,000	Altamont
<i>Labette County Total</i>		<u>\$201,479</u>	
Leavenworth (LV)			
Attraction Development Grant	Rocks, Inc. Fort Leavenworth Chapter	\$50,000	Fort Leavenworth
Incentives Without Walls (Main Street)	Leavenworth Main Street	\$10,338	Leavenworth
Incentives Without Walls (Main Street)	Leavenworth Main Street	\$4,663	Leavenworth
<i>Leavenworth County Total</i>		<u>\$65,001</u>	
Lyon (LY)			
Attraction Development Grant	Emporia Granada Theatre Alliance	\$20,600	Emporia
Certified Development Company	Eastern Kansas Economic Development Corp	\$95,356	Emporia
Incentives Without Walls (Main Street)	Emporia Main Street	\$15,000	Emporia
Kansas Industrial Retraining	Vektek, Inc.	\$52,546	Emporia
Kansas Industrial Retraining	Detroit Diesel Remanufactruing-Central	\$13,750	Emporia
Kansas Industrial Training	Vektek, Inc.	\$18,000	Emporia
KS Econ. Opportunity Initiatives Fund	Norfolk Iron & Metal	\$75,000	Emporia
KS Econ. Opportunity Initiatives Fund	City of Emporia	\$100,000	Emporia
Small Business Development Ctr.	Emporia State University	\$19,526	Emporia
<i>Lyon County Total</i>		<u>\$409,778</u>	
Mitchell (MC)			
Kansas Industrial Retraining	Sunflower Manufacturing Company, Inc.	\$45,000	Beloit
<i>Mitchell County Total</i>		<u>\$45,000</u>	

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Program	Business/Recipient	Amount	City
Meade (ME)			
Attraction Development Grant	Meade County Historical Society	\$6,928	Meade
<i>Meade County Total</i>		<u>\$6,928</u>	
Montgomery (MG)			
Incentives Without Walls (Main Street)	Independence Main Street	\$11,500	Independence
Incentives Without Walls (Main Street)	Independence Main Street	\$5,000	Independence
Incentives Without Walls (Main Street)	Independence Main Street	\$2,200	Independence
Incentives Without Walls (Main Street)	Independence Main Street	\$2,000	Independence
Kansas Industrial Retraining	Charloma, Inc.	\$23,916	Cherryvale
Kansas Industrial Training	Farmland Industries, Inc.	\$95,000	Coffeyville
Kansas Industrial Training	Charloma, Inc.	\$20,000	Cherryvale
KS Econ. Opportunity Initiatives Fund	Amazon.com	\$500,000	Coffeyville
KS Existing Industry Expansion Prog.	Charloma, Inc.	\$150,000	Cherryvale
<i>Montgomery County Total</i>		<u>\$809,616</u>	
Miami (MI)			
Kansas Trade Show Assistance Prog.	Louisburg Cider Mill, Inc.	\$1,521	Louisburg
Kansas Trade Show Assistance Prog.	DG Industries	\$3,500	Paola
<i>Miami County Total</i>		<u>\$5,021</u>	
Marion (MN)			
Kansas Industrial Retraining	Marion Manufacturing, Inc.	\$11,649	Marion
Kansas Trade Show Assistance Prog.	Marion Manufacturing, Inc.	\$1,231	Marion
Kansas Trade Show Assistance Prog.	Hillsboro Industries Inc.	\$1,015	Hillsboro
<i>Marion County Total</i>		<u>\$13,895</u>	
McPherson (MP)			
Attraction Development Grant	McPherson Opera House Preservation Company	\$28,000	McPherson
Attraction Development Grant	Kansas Sampler Foundation	\$3,200	Inman
Attraction Development Grant	Friends of Maxwell, Inc.	\$23,200	Canton
Incentives Without Walls (Main Street)	McPherson Main Street	\$15,000	McPherson
Incentives Without Walls (Main Street)	McPherson Main Street	\$9,911	McPherson

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Program	Business/Recipient	Amount	City
McPherson (continued)			
Kansas Industrial Retraining	Vanguard Industries	\$46,291	McPherson
Kansas Industrial Retraining	American Maplan Corporation	\$52,500	McPherson
Kansas Industrial Training	American Maplan Corporation	\$22,500	McPherson
<i>McPherson County Total</i>		<u>\$200,602</u>	
Morris (MR)			
Kansas Industrial Retraining	Custom Sheet and Steel Fabricators, Inc.	\$8,000	Council Grove
<i>Morris County Total</i>		<u>\$8,000</u>	
Marshall (MS)			
KS Existing Industry Expansion Prog.	Liberty, Inc.	\$65,000	Waterville
<i>Marshall County Total</i>		<u>\$65,000</u>	
Neosho (NO)			
Attraction Development Grant	Carlson Brothers Farms, Inc.	\$10,091	Chanute
Incentives Without Walls (Main Street)	Main Street Chanute	\$8,563	Chanute
<i>Neosho County Total</i>		<u>\$18,654</u>	
Norton (NT)			
Kansas Industrial Retraining	Natoma Corporation	\$28,972	Norton
<i>Norton County Total</i>		<u>\$28,972</u>	
Osborne (OB)			
Attraction Development Grant	City of Downs	\$4,000	Downs
<i>Osborne County Total</i>		<u>\$4,000</u>	
Osage (OS)			
Community Capacity Building	Osage County	\$5,000	Lyndon
<i>Osage County Total</i>		<u>\$5,000</u>	

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Program	Business/Recipient	Amount	City
Ottawa (OT)			
Incentives Without Walls (Main Street)	Minneapolis Main Street	\$15,000	Minneapolis
<i>Ottawa County Total</i>		<u>\$15,000</u>	
Pottawatomie (PT)			
Ag. Products Development	Advanced Market Concepts	\$19,000	Pottawatomie Co.
Incentives Without Walls (Main Street)	Wamego Main Street	\$3,200	Wamego
<i>Pottawatomie County Total</i>		<u>\$22,200</u>	
Rice (RC)			
Community Capacity Building	Rice County	\$12,000	Lyons
Incentives Without Walls (Main Street)	Main Street Sterling	\$14,633	Sterling
Incentives Without Walls (Main Street)	Main Street Sterling	\$5,944	Sterling
Kansas Industrial Retraining	Jim's Machine Shop	\$8,642	Lyons
Kansas Trade Show Assistance Prog.	Four Fish Productions, LLC	\$500	Little River
<i>Rice County Total</i>		<u>\$41,719</u>	
Riley (RL)			
Ag. Products Development	Kansas State University	\$600	Manhattan
Attraction Development Grant	Meet in Kansas Marketing Alliance	\$15,000	Manhattan
Attraction Development Grant	Manhattan Convention and Visitors Bureau	\$4,400	Manhattan
Attraction Development Grant	Friends of Konza Prairie	\$27,850	Manhattan
Community Capacity Building	City of Manhattan	\$10,000	Manhattan
Foods and Feeds	Kansas State University	\$69,750	Manhattan
Foods and Feeds	Kansas State University	\$6,000	Manhattan
Foods and Feeds	Kansas State University	\$17,500	Manhattan
Incentives Without Walls (Main Street)	Manhattan Main Street	\$5,000	Manhattan
Kansas Industrial Retraining	Kansas State University	\$2,050	Manhattan
Kansas Industrial Training	It's Greek to Me	\$9,000	Manhattan
Kansas Industrial Training	Farrar Corporation	\$35,000	Manhattan
Kansas Trade Show Assistance Prog.	ICE Corporation	\$3,325	Manhattan
Kansas Trade Show Assistance Prog.	Abbott Workholding Products	\$3,500	Manhattan
KS Econ. Opportunity Initiatives Fund	Trasportation Design & Manufacturing	\$300,000	Manhattan

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Program	Business/Recipient	Amount	City
Riley (continued)			
KS Existing Industry Expansion Prog.	Quaker Oats Co.	\$50,181	Manhattan
KS Existing Industry Expansion Prog.	Paragon Technology	\$70,000	Manhattan
KS Existing Industry Expansion Prog.	Manko Window Systems, Inc.	\$100,000	Manhattan
KS Existing Industry Expansion Prog.	Liberty, Inc.	\$65,000	Riley County
Small Business Development Ctr.	Kansas State University	\$36,851	Manhattan
<i>Riley County Total</i>		<i>\$831,007</i>	
Reno (RN)			
Attraction Development Grant	Kansas Cosmosphere and Space Center	\$100,000	Hutchinson
Community Capacity Building	Downtown Hutchinson, Inc.	\$15,000	Hutchinson
Incentives Without Walls (Main Street)	Hutchinson Downtown Development	\$15,000	Hutchinson
Incentives Without Walls (Main Street)	Hutchinson Downtown Development	\$15,000	Hutchinson
Kansas Industrial Retraining	Eaton Corporation	\$39,350	Hutchinson
Kansas Trade Show Assistance Prog.	Weigh-Right, Inc.	\$1,706	South Hutchinson
Kansas Trade Show Assistance Prog.	Weigh-Right, Inc.	\$740	South Hutchinson
KS Econ. Opportunity Initiatives Fund	Teleperformance USA	\$25,000	Hutchinson
KS Econ. Opportunity Initiatives Fund	Eaton Corp.	\$100,000	Hutchinson
Training Equipment Grant	Hutchinson Community College	\$24,706	Hutchinson
<i>Reno County Total</i>		<i>\$336,502</i>	
Rooks (RO)			
Attraction Development Grant	Stockton Theatre Committee-Nova Theatre	\$25,000	Stockton
Kansas Trade Show Assistance Prog.	Paradise Creek	\$1,209	Plainville
<i>Rooks County Total</i>		<i>\$26,209</i>	
Republic (RP)			
Ag. Products Development	Valley Vegetable Producers Coop.	\$90,000	Scandia
Community Capacity Building	City of Belleville	\$15,000	Belleville
KS Econ. Opportunity Initiatives Fund	Valley Vegetable Producers Coop.	\$20,000	Scandia
<i>Republic County Total</i>		<i>\$125,000</i>	

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Program	Business/Recipient	Amount	City
Russell (RS)			
Attraction Development Grant	Russell County Historical Society	\$25,000	Russell
Incentives Without Walls (Main Street)	Russell Main Street	\$15,000	Russell
Kansas Trade Show Assistance Prog.	LoMar Bowling Supply	\$1,500	Russell
<i>Russell County Total</i>		<u>\$41,500</u>	
Saline (SA)			
KS Econ. Opportunity Initiatives Fund	Aerospace Systems & Tech	\$50,000	Salina
Attraction Development Grant	Kansas Adventures Times III	\$2,400	Salina
Attraction Development Grant	Historic Fox Theatre of Salina Foundation, Inc.	\$42,107	Salina
Community Capacity Building	Saline County	\$15,000	Salina
Foods and Feeds	Whispering Cottonwood Farm	\$1,200	Salina
Foods and Feeds	Whispering Cottonwood Farm	\$1,200	Salina
Foods and Feeds	M.L. & CLETA ROBERTS dba/ROBERTS SEEDS	\$55,000	New Cambria
Incentives Without Walls (Main Street)	Salina Downtown, Inc.	\$15,000	Salina
Incentives Without Walls (Main Street)	Salina Downtown, Inc	\$15,000	Salina
Kansas Industrial Training	Kasa Industrial Controls, Inc.	\$33,900	Salina
Kansas Industrial Training	El Dorado National	\$70,000	Salina
Kansas Trade Show Assistance Prog.	Great Plains Manufacturing Inc.	\$3,500	Salina
Kansas Trade Show Assistance Prog.	Eagle Software. Inc.	\$2,011	Salina
Kansas Trade Show Assistance Prog.	Callabresi Combustion Systems, Inc.	\$1,500	Salina
Small Business Development Ctr.	Salina Area Chamber of Commerce	\$19,673	Salina
<i>Saline County Total</i>		<u>\$327,491</u>	
Scott (SC)			
Attraction Development Grant	Scott County Historical Society	\$48,533	Scott City
<i>Scott County Total</i>		<u>\$48,533</u>	
Stafford (SF)			
Incentives Without Walls (Main Street)	St. John Main Street	\$15,000	St. John
<i>Stafford County Total</i>		<u>\$15,000</u>	

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Program	Business/Recipient	Amount	City
Sedgwick (SG)			
Ag. Products Development	Millennium Plasting Wood	\$22,000	Sedgwick Co.
Attraction Development Grant	Wichita Baseball, Inc.	\$4,200	Wichita
Attraction Development Grant	Sedgwick County Zoological Society, Inc.	\$40,000	Wichita
Attraction Development Grant	Historic Wichita-Sedgwick County, Inc	\$50,000	Wichita
Certified Development Company	South Central Kansas Econ. Development Dist.	\$137,022	Wichita
Kansas Industrial Retraining	Wichita Electric JATC	\$57,000	Wichita
Kansas Industrial Retraining	McCormick-Armstrong Co., Inc.	\$100,000	Wichita
Kansas Industrial Retraining	Home Oil Company, Inc.	\$14,745	Wichita
Kansas Industrial Retraining	Hayes Company, Inc.	\$60,000	Wichita
Kansas Industrial Retraining	Hampel Oil Distributors, Inc.	\$12,375	Wichita
Kansas Industrial Retraining	Air Capital Plating, Inc.	\$45,000	Wichita
Kansas Industrial Retraining	Aerospace Systems & Components, Inc.	\$33,006	Wichita
Kansas Industrial Training	Proxy Communications, Inc.	\$100,000	Wichita
Kansas Industrial Training	AmeriServe Food Distribution, Inc.	\$36,920	Wichita
Kansas Trade Show Assistance Prog.	Wilco, Inc.	\$1,332	Wichita
Kansas Trade Show Assistance Prog.	Wilco, Inc.	\$966	Wichita
Kansas Trade Show Assistance Prog.	Unique Equine Jewelry	\$446	Valley Center
Kansas Trade Show Assistance Prog.	Unique Equine Jewelry	\$365	Valley Center
Kansas Trade Show Assistance Prog.	Prairie Song Designs, Inc.	\$757	Valley Center
Kansas Trade Show Assistance Prog.	Pangea Geochemical Technologies	\$1,475	Wichita
Kansas Trade Show Assistance Prog.	Pangea Geochemical Technologies	\$1,075	Wichita
Kansas Trade Show Assistance Prog.	Pac Mig, Inc.	\$1,500	Wichita
Kansas Trade Show Assistance Prog.	Nowak Pipe Reaming, Inc.	\$1,223	Goddard
Kansas Trade Show Assistance Prog.	Great Plains Industries, Inc.	\$3,500	Wichita
Kansas Trade Show Assistance Prog.	Great Plains Industries, Inc.	\$2,135	Wichita
Kansas Trade Show Assistance Prog.	Great Plains Industries, Inc.	\$1,366	Wichita
Kansas Trade Show Assistance Prog.	Charles Engineering Inc.	\$2,100	Clearwater
Kansas Trade Show Assistance Prog.	Chance Coach	\$1,500	Wichita
Kansas Trade Show Assistance Prog.	Balco Metalines	\$1,500	Wichita
KS Econ. Opportunity Initiatives Fund	Voicestream	\$400,000	Wichita
KS Econ. Opportunity Initiatives Fund	NMF America	\$100,000	Wichita
KS Econ. Opportunity Initiatives Fund	Koch Supplies	\$175,000	Wichita

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Program	Business/Recipient	Amount	City
Sedgwick (continued)			
KS Econ. Opportunity Initiatives Fund	Dean & Delucca	\$125,000	Wichita
KS Econ. Opportunity Initiatives Fund	Central Plains Book Manufacturing	\$100,000	Derby
KS Econ. Opportunity Initiatives Fund	AmeriServe Food Distributions, Inc. (Wichita)	\$100,000	Lenexa
KS Existing Industry Expansion Prog.	Royal Caribbean Cruise Lines	\$100,000	Wichita
KS Existing Industry Expansion Prog.	Dean & Delucca	\$125,000	Wichita
Metro. Community Capacity Building	Sedgwick County	\$10,000	Wichita
Metro. Community Capacity Building	City of Wichita	\$40,000	Wichita
Small Business Development Ctr.	Wichita State University	\$46,962	Wichita
Training Equipment Grant	Wichita Area Technical College	\$26,550	Wichita
Training Equipment Grant	Wichita Area Technical College	\$24,785	Wichita
	World Trade Center	\$41,889	Wichita
		<u>\$2,148,694</u>	
<i>Sedgwick County Total</i>			
Sherman (SH)			
Attraction Development Grant	Goodland Arts Council, Inc.	\$50,000	Goodland
		<u>\$50,000</u>	
<i>Sherman County Total</i>			
Shawnee (SN)			
KS Econ. Opportunity Initiatives Fund	Teletech	\$150,000	Topeka
Attraction Development Grant	Friends of the Free State Capital, Inc.	\$2,527	Topeka
Attraction Development Grant	Combat Air Museum	\$16,000	Topeka
Kansas Trade Show Assistance Prog.	Hill's Pet Products	\$3,500	Topeka
Kansas Trade Show Assistance Prog.	Brackett, Inc.	\$3,500	Topeka
Metro. Community Capacity Building	NOTOMA/DTI/Metro Planning	\$7,500	Topeka
Small Business Development Ctr.	Washburn University	\$27,500	Topeka
Training Equipment Grant	KAW Area Technical School	\$75,000	Topeka
Training Equipment Grant	KAW Area Technical School	\$64,757	Topeka
		<u>\$350,284</u>	
<i>Shawnee County Total</i>			

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Program	Business/Recipient	Amount	City
Thomas (TH)			
Kansas Industrial Training	McCarty Dairy	\$13,982	Colby
Kansas Trade Show Assistance Prog.	Mingo Custom Woods	\$1,500	Colby
<i>Thomas County Total</i>		<u>\$15,482</u>	
Wabaunsee (WB)			
From the Land of Kansas	Alma Cheese	\$250	Alma
<i>Wabaunsee County Total</i>		<u>\$250</u>	
Wichita (WC)			
Attraction Development Grant	Wichita County Amusement Association	\$11,158	Leoti
<i>Wichita County Total</i>		<u>\$11,158</u>	
Wilson (WL)			
Kansas Industrial Retraining	Prestige, Inc.	\$48,759	Neodesha
Kansas Industrial Training	Cobalt Boats	\$10,385	Neodesha
KS Existing Industry Expansion Prog.	Cobalt Boats	\$100,000	Neodesha
<i>Wilson County Total</i>		<u>\$159,144</u>	
Washington (WS)			
Kansas Industrial Training	Linn Post & Pipe, Inc.	\$12,000	Linn
<i>Washington County Total</i>		<u>\$12,000</u>	
Wyandotte (WY)			
Certified Development Company	Avenue Area Development	\$38,450	Kansas City
Kansas Industrial Retraining	Owens Corning	\$24,196	Kansas City
Kansas Industrial Retraining	Garsite LLC	\$49,964	Kansas City
Kansas Industrial Training	Meridian Automotive Systems, Inc.	\$46,600	Kansas City
Kansas Industrial Training	International Multifoods Corporation	\$40,000	Bonner Springs
Kansas Trade Show Assistance Prog.	Original Juan Specialty Foods, Inc.	\$1,500	Kansas City
Kansas Trade Show Assistance Prog.	Garsite, LLC	\$3,500	Kansas City
Kansas Trade Show Assistance Prog.	Garsite, LLC	\$3,500	Kansas City
Kansas Trade Show Assistance Prog.	Gard Corporation	\$1,150	Kansas City

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Program	Business/Recipient	Amount	City
Wyandotte (continued)			
Kansas Trade Show Assistance Prog.	American Crane and Tractor Parts	\$1,500	Kansas City
Kansas Trade Show Assistance Prog.	American Crane and Tractor Parts	\$3,068	Kansas City
Kansas Trade Show Assistance Prog.	American Crane and Tractor Parts	\$2,432	Kansas City
KS Econ. Opportunity Initiatives Fund	Weld Wheel Industries	\$300,000	Kansas City
KS Econ. Opportunity Initiatives Fund	Shor-Line Properties, LLC (Schroer Manufacturing)	\$75,000	Kansas City
KS Econ. Opportunity Initiatives Fund	KS Speedway	\$1,150,000	KC
KS Econ. Opportunity Initiatives Fund	KS Speedway	\$1,100,000	KC
KS Econ. Opportunity Initiatives Fund	Federal Deposit Insurance Corporation	\$125,000	Kansas City
Metro. Community Capacity Building	Bridges of Hope	\$15,000	Kansas City
<i>Wyandotte County Total</i>		<i>\$2,980,860</i>	
Statewide or Region-wide			
Ag. Products Development	National Sunflower Association	\$50,000	
Ag. Products Development	Great Plains Corn Processing Coop.	\$50,000	(SW Kansas)
Certified Development Company	Mo-Kan Regional Council & Econ. Dev. Dist.	\$31,263	St Joseph
<i>Statewide/Region-Wide Grants Total</i>		<i>\$131,263</i>	
Grand Total		\$17,556,509	

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