

MINUTES OF THE SENATE NATURAL RESOURCES COMMITTEE

The meeting was called to order by Chairman Carolyn McGinn at 8:30 a.m. on February 12, 2010, in Room 144-S of the Capitol.

All members were present.

Committee staff present:

Kristen Kellems, Office of the Revisor of Statutes
Corey Carnahan, Kansas Legislative Research Department
Raney Gilliland, Kansas Legislative Research Department
Stanley Rasmussen, Senate Fellow, U.S. Army
Grace Greene, Committee Assistant

Conferees appearing before the Committee:

Mark Rude, Executive Director, Southwest Kansas Groundwater Management District No. 3
Tracy Streeter, Director, Kansas Water Office
Jim Rankin, Foulston Siefkin
Ed Klumpp, Legislative Liaison, Kansas Association of Chiefs of Police and Kansas Peace Officers Association

Others attending:

See attached list.

Tracy Streeter, Director, Kansas Water Office (Attachment 1) briefed the Committee on the Western Water Conservation Projects Fund and the history leading to its creation in 2008.

Mark Rude, Executive Director, Southwest Kansas Groundwater Management District No. 3 (Attachment 2) provided an annual Legislative report on the Western Water Conservation Projects Fund Grant and provided the 2009 Statutory Basis Financial Statements for the Southwest Kansas Groundwater Management District No. 3 under contract of the Kansas Water Office.

Mr. Rude discussed the following: purposes of the fund, background of the fund, and the project approval process. Mr. Rude also reported on priority projects of the fund, including: south side ditch irrigation, Lake McKinney, Arkansas River litigation fund advisory committee, and the preferred interstate supply assessment.

Mr. Rude took questions from the Committee.

Kristen Kellems provided a bill brief of **SB 497 - Excluding certain knives from the definition of a criminal weapon.**

Ms. Kellems took questions from the Committee.

Jim Rankin, Foulston Siefkin (Attachment 3) testified as a proponent of **SB 497**. Mr. Rankin referenced pictures of the sporting knives, Kershaw knives and stated that they are expensive, well made knives and none of them would violate current Kansas law. Mr. Rankin stated that the proposed language is similar to changes made to federal legislation on switchblades, as well as in Texas and California to clarify that the knives are legal. Mr. Rankin recommended the bill be passed out favorably of the Senate Natural Resources Committee.

Mr. Rankin took questions from the Committee.

Ed Klumpp, Legislative Liaison, Kansas Association of Chiefs of Police and Kansas Peace Officers Association (Attachment 4) testified as an opponent of **SB 497**. Mr. Klump stated that the sporting knives are legal under current law and that the issue can be addressed through law enforcement training. Mr. Klumpp stated that the amendment uses engineering terms and does not clarify the current law and that changing the law might have unintended consequences.

Mr. Klump recommended that the bill not be passed out favorably of Committee.

CONTINUATION SHEET

Minutes of the Senate Natural Resources Committee at 8:30 a.m. on February 11, 2010, in Room 144-S of the Capitol.

Mr. Klump took questions from the Committee.

Senator Morris made a motion to to pass SB 497 out of Committee. Senator Taddiken seconded the motion. The motion carried.

The next meeting is scheduled for February 17, 2010.

The meeting was adjourned at 9:30 a.m.

SENATE NATURAL RESOURCES COMMITTEE

Guest Roster

2-12-2010

(Date)

Jimi Rankin	KAI USA	
MARK RUDE	GMD'S	
Paul Graves	KDA	AF
Guthrie	KAE-USA	
Burke Giggis	DWR	
Randy Langseth		
Randy Kalke		
Kent Askren		KFB
Steve Swaffar		KFB
Jackson Lundberg		Heira Law
Earl Lewis		USWD
Woody		AF

Please use black ink only!!

**Senate Natural Resources Committee
Briefing on the
Western Water Conservation Projects Fund
Tracy Streeter, Director
February 12, 2010**

Chairperson McGinn and members of the Committee, I am Tracy Streeter, Director of the Kansas Water Office. I appear before you today to provide a brief overview of the Western Water Conservation Projects Fund and the history leading to its creation in 2008.

- 1996 - Legislation passed (K.S.A. 82a-1801 et seq.) creating Water Conservation Projects Fund as part of an overall allocation system for financial damages accrued to Kansas from the Arkansas River litigation
 - KWO charged with administering fund with input from Chief Engineer
- 2005 - \$34.7 million received from Colorado and distributed as prescribed by '96 Legislation
 - \$9.7 million to Water Conservation Projects Fund (2/3)
 - \$4.8 million to State Water Plan Fund (1/3)
 - \$20.2 million to Litigation Fund
- 2006 - \$1.1 million received from Colorado
 - Not distributed per '96 Legislation
 - Placed in a suspense account
 - Eventually transferred to SWPF to fund DWR's Interstate Water Issues
- 2006 & 2007 – Funding appropriated from WCPF to reimburse GMD#3 and Ditch Companies for expenses incurred during litigation, project reconnaissance, feasibility studies and project oversight
 - Project included:
 - Southside Ditch Alternative Delivery System
 - Southside Ditch Lining
 - Lake McKinney Renovation
 - Enhanced Aquifer Recharge Projects
- 2008 – Appropriations language directs KWO to transfer remaining balance of \$9.964 million to Groundwater Management District No. 3
 - Includes \$9.225 million from WCPF & \$739K from State Water Plan Fund
 - Other provisions included:
 - Must be used for same purposes as WCPF
 - Creation of an advisory committee consisting of ditch companies
 - GMD No. 3 submits expenditure and status report to KWO every 3 months
 - Annual report to Ways and Means and Appropriations
- August 6, 2008 – KWO and GMD No. 3 enter into agreement to transfer funds and establish appropriate oversight procedures per 2008 Appropriations Act proviso.

In closing, the creation of the Western Water Conservation Projects Fund and subsequent transfer of responsibility to GMD No. 3 has worked well and has likely preserved these funds for the intended purpose. I will stand for questions at the appropriate time.

Western
Water
Conservation
Projects
Fund Grant

2009

Kansas Water Office Contract Number 08-0129

The Fund began year 2009 with \$9,927,298 and ended the year with \$9,417,006. There were expenditures totaling \$748,027 and interest income totaling \$237,735. The Fund incurred a net reduction in 2009 of \$510,292. The 2009 Audit Report for GMD3 found secured Fund investments and an accepted expenditure procedure.

By the

Southwest Kansas Groundwater Management
District Number 3

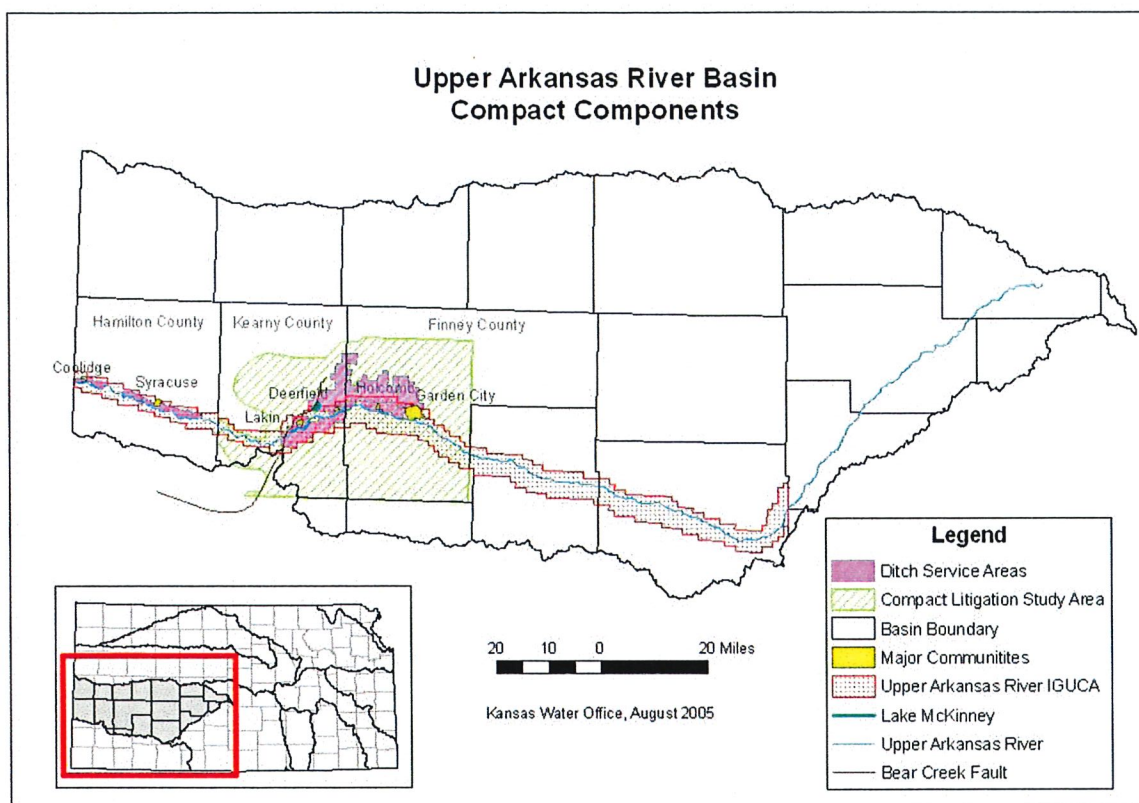
Annual
Legislative
Report

Western Water Conservation Projects Fund Grant
Kansas Water Office Contract Number 08-0129

2010 Legislative report of Fund activities in 2009
By the Southwest Kansas Groundwater Management District No. 3

Purposes of the Fund

As the result of litigation filed with the United States Supreme Court (*Kansas v. Colorado*, No. 105 Original), the State of Kansas received a \$34.7 million damage award from the State of Colorado for actual losses and expenses to crops and fields in Southwest Kansas, with interest, attributed to Colorado violating the Arkansas River Compact (Compact, K.S.A. 82a-520). Kansas statute KSA 82a-1801-1803 stipulates the portion of these funds placed in the Water Conservation Project Funds (WCPF) Reserve Account be used for projects that contribute to water conservation efficiency in the area directly affected.



82a-1803. Establishes the WCPF to be administered by the director of the Kansas Water Office. The water conservation projects fund may be used in those areas of the State lying in the upper Arkansas River basin and directly impacted by the shortage of water caused by overuse of the Arkansas River in Colorado. The Director of KWO and the Chief Engineer are directed to give priority to: (1) projects that achieve the greatest water conservation efficiency for the general good; and (2) projects that have been required by the Division of Water Resources.

General WWCPF project goals are to maximize general public good (public interest), maximize efficiency of call water for ditch irrigation (transient losses), maximize benefits of high flow water to improve recharge and mitigate water quality problems in surface and ground water, reduce consumptive use of water to help stabilize the system, as well as improve the stability of the hydrologic system for remaining irrigators, and meet compact compliance.

A General Fund Background prior to the KWO Grant Agreement provided by the Kansas Water Office

- 1996 - Legislation passed (K.S.A. 82a-1801 et seq.) creating Water Conservation Projects Fund as part of an overall allocation system for financial damages accrued to Kansas from the Arkansas River litigation
 - KWO charged with administering fund with input from Chief Engineer
- 2005 - \$34.7 million received from Colorado and distributed as prescribed by '96 Legislation
 - \$9.7 million to Water Conservation Projects Fund (2/3)
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 - Projects included:
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 - Other provisions included:
 - Must be used for same purposes as WCPF
 - Creation of an advisory committee consisting of ditch companies
 - GMD No. 3 submits expenditure and status report to KWO every 3 months
 - Annual report to Ways and Means and Appropriations
- August 6, 2008 – KWO and GMD No. 3 enter into agreement to transfer funds and establish appropriate oversight procedures per 2008 Appropriations Act proviso.

GMD3 Received the Western Water Conservation Projects Fund (Fund) under KWO MOA.

When the 2008 Kansas Legislature provided the opportunity to Southwest Kansas Groundwater Management District No. 3 to administer the Fund through a grant agreement with the KWO, it provided an efficient way to accomplish the purposes of the Fund and allowed the interest from the Fund to also accrue to the purposes of the Fund.

Projects funded in whole or in part by the Western Water Conservation Project Fund must be in the area impacted by the Arkansas River Compact violations by Colorado and meet eligibility requirements and goals in K.S.A. 82a-1803 and Senate Bill 534. Under the provisions of SB 534 and the KWO Grant Agreement, the Arkansas River Litigation Fund Committee established in 2005 became the advisory committee to the GMD3 board, who in turn manages the funds,

approves expenditures and projects and makes recommendations to the Director of the Kansas Water Office who must approve all projects, in consultation with the chief engineer, for compliance with K.S.A. 82a-1803.

The Southwest Kansas Groundwater Management District Board of Directors.

The board of directors for GMD3 is comprised of 15 members, one from each of the twelve counties having all or a part of the county in the district, one surface water representative, one industrial water use director and one municipal use director. The directors serve three year terms and are elected by the members of the district at an annual meeting generally held each March. Candidates are nominated during a nomination period that ends prior to the annual meeting. The director service is not a paid position and involves a considerable time commitment to monthly board meetings, special meetings and working committee meetings. There are four executive committee members supported by an executive director, staff and consultants as needed. We believe the mission of the groundwater management district as described in the GMD Act and the established working relationships with water users, water interests and other water agencies is well suited for the management role of the Fund and it's purposes.



Chief Engineer David Barfield discusses water rights policy with the GMD3 Board.

Arkansas River Litigation Fund Advisory Committee (ARLFAC)

A stakeholder group was formed in 2005 comprised of representatives from the six irrigation ditch companies, Compact representatives, Southwest Kansas Groundwater Management District No. 3 (GMD3) to provide recommendations and guidance on projects. KWO and DWR staff provides advice and guidance to this committee. The ARLFAC is chaired by Randy Hayzlett, who is a Compact Commissioner for Kansas, a representative of the South Side Irrigation Association and a member of the Upper Arkansas Basin Advisory Committee. ARLFAC members have given significant attention to the river management issues and Compact issues for many years. A preliminary list of projects believed to fit the requirements of K.S.A. 82a-1803 was developed by this stakeholder work group based on the "Upper Arkansas River Conservation Project Reconnaissance Study" conducted by GMD3 in 2005. These were prioritized and three feasibility studies were initiated in 2006.

The Arkansas River flows in both States have long been fully appropriated by existing water rights and are diverted from the Arkansas River. Additionally, groundwater withdrawals further cut into the base flows to the river in both Colorado and Kansas. Therefore, The Arkansas River flow in southwestern Kansas is highly dependent on the irrigation demands of Kansas ditches, which have been diverting surface water since the 1880's. Thus, water called for by the six Kansas irrigation canal companies is put to beneficial use in Hamilton, Kearny, and western Finney county as permitted under their vested water rights. Therefore, the ARLFAC is comprised of the primary stakeholder representatives for the purposes of the Fund.

DATES OF ARLFAC MEETINGS

September 11, 2008

September 29, 2008

November 18, 2008

December 17, 2008

February 27, 2009

May 06, 2009

August 19, 2009

September 01, 2009

September 30, 2009

ARLFAC & Monthly Southwest Kansas Groundwater Management District NO. 3
Minutes can be presented upon request.

Arkansas River Litigation Fund Advisory Committee Members:

Name	Representing	Street	City	Telephone/ Email/ Fax
David Brenn	Kansas ARCA Commissioner, GMD3 Board, Surface Water	1710 Pheasant Ct.	Garden City, KS 67846	620 287 4541 Cell 620-260-9605 Fax dbrenn@gcnet.com
Patty Stapleton	Recording Secretary	2009 E. Spruce St.	Garden City, KS 67846	620-275-7147 pstapleton@gmd3.org
Ronald Conway Vice-Chairman	President, Great Eastern Ditch Assoc.	P.O. Box 597	Garden City, KS 67846	620 276 3246 O 620-640-2336 Cell 620-276-2795 Fax conway.ron@sbcglobal.net
Diane Coe	Kansas Water Office	901 S Kansas Ave	Topeka, KS 66612	785-296-3185 O 785-296-0878 Fax diane.coe@kwo.ks.gov
Randy Hayzlett Chairman	Kansas ARCA Commissioner, Southside Ditch Assoc	1112 Road T	Lakin, KS 67860	620 355 7499 H 620-271-4008 Cell 620-355-7064 Fax hayzlett@pld.com
Steven A. Hines	Board of Directors, Frontier Ditch	P.O. Box 147	Coolidge, KS 67836	620 372 8241- 8251 Shop 620-384-4842 Cell 620-372-2636 Fax
Al Knoll	President, Garden City Ditch Company	2385 Chmelka Road	Garden City, KS 67846	620 277 2437
Bob Knoll	President, Southside Ditch Association	12700 W. River Rd.	Holcomb, KS 67851	620 277 2579/640-4857 pknoll@wbsnet.org
Harold Knoll	President, Associated Ditches; President, FI CO Water Users Assoc (Farmers Ditch)	4125 N Anderson RD	Garden City, KS 67846	620 277 2253 620-277-2110 Fax hknoll@gcnet.com
Kirk Maddux	GMD3 Board of Directors	RR1 Box 136	Deerfield, KS 67838	620 426 6787 kandk@pld.com
Mark Rude Treasurer	Executive Director, GMD3	2009 E. Spruce St.	Garden City, KS 67846	620 275 7147 mrude@gmd3.org
Hal Scheuerman	President, Kearny CO Farmers Irrigation Assoc (Amazon Ditch)	P.O. Box 222	Deerfield, KS 67838	620 426 6073 schrman@pld.com 620-426-2973 Fax
Michael Meyer	Water Commissioner, KSDA, DWR	2508 John Street	Garden City Ks. 67846	620 276 2901 620-276-9315 Fax mike.meyer@kda.ks.gov

Calendar year 2008

A check was received from the Department of Administration in August 2008 which put dollars in the Fund for GMD3 management. A special Arkansas River Litigation Fund account outside the GMD3 general fund was created by the governance of the GMD3 in 2005 and has been carried forward in the budget amount of \$15.5 million. The budget bucket to receive the funds had to be larger than the actual fund amount. Therefore, the GMD3 financial statement indicates a much larger budgeted amount than what exists in that Fund account.

THE BACK OF THIS WARRANT CONTAINS A SECURITY MARK - DO NOT ACCEPT WITHOUT HOLDING AT AN ANGLE TO VERIFY SECURITY MARK

STARS	STATE OF KANSAS Department of Administration Division of Accounts and Reports	No. 1438243
	To the Treasurer of State: Topeka, Kansas	Date: 08 20 08
Pay to the order of:	SOUTHWEST KANSAS GMD3 SW KS GMD 3 409 N CAMPUS DR STE 108 GARDEN CITY KS 67846-6158	Amount \$*****9,878,790.00 VALID FOR AMOUNT ONLY
NINE*MILLION*EIGHT*HUNDRED*SEVENTY*EIGHT*THOUSAND*SEVEN*HUNDRED*NINETY*DOLLARS*AND*00*CENTS*****		
Agy No 709	Document No. V7097837	<i>Kent E. Olson</i> Director of Accounts and Reports
Cash Immediately - Void One Year From Date of Issue		<i>Lynn Jenkins</i> State Treasurer

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There were no expenditures from the Fund in 2008 and \$48,508 in interest accrued for that partial year. Work in 2008 centered primarily on investing and securing the funds, setting up internal processes to manage the funds and expenditures and developing the initial funding needs and expenditure submittal processes with the ARLFA Committee for proceeding with the approved project priorities.

The ARLFAC met regularly in the GMD3 office and began working closely with the GMD3 board of directors to implement the purposes of the Fund. With a delay in receiving our audit report for 2008 and with the limited Fund activity, the 2009 legislative report was limited to several e-mails and financial statements to the committee chairs.

Calendar year 2009

The Fund began year 2009 with \$9,927,298 and ended the year with \$9,417,006. There were expenditures totaling \$748,027 and interest income totaling \$237,735. The Fund incurred a net reduction in 2009 of \$510,292.

Project Approval Process

Project approval has been received from the Director of the Kansas Water Office for the Southside Alternate Delivery System, the Lake McKinney projects and the Preferred Interstate Supply Assessment. The ARLFAC is currently working to consider a set of criteria to be agreed on by the committee to be used as a basis to consider future projects requested to the GMD3 or

the ARLFAC for funding. These criteria may be advisable and necessary to keep consistent policy governing weather individual projects meet the purposes of the Fund and are not simply funding normal Operation and/or Maintenance activities. Any additional projects that may be proposed for funding by both the ARLFAC and the GMD3 board will be submitted to the Director of the Kansas Water Office and the Chief Engineer, Kansas Department of Agriculture for their review and approval.

Construction Projects – Who is doing the work

The construction work for approved projects is conducted by individual irrigation associations, organizations or individuals who have the authority to undertake the needed work. The GMD3 board or the ARLFAC do not conduct the work. Payment for work completed occurs from a voucher submittal process under a pre approved sub-project budget amount. The voucher contains specific declaration language agreed to by the submitting project operator. This allows payment to come from the GMD3 to the individual vendor who completed work and reduces the necessity to audit participating organizations and individuals to insure the purposes of the Fund.

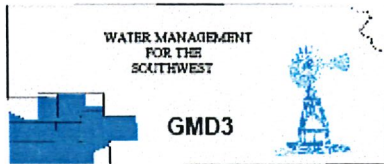
The structure and expertise in the advisory committee is uniquely suited to carry out the purposes of the Fund. Membership is comprised of knowledgeable representatives who understand the work that is needed and who have a vested interest in the priority projects under way. We believe their regular review of proposed project details and expenditures provides a powerful assurance that the projects undertaken will be at the least cost for the best results.

Approved Project Phased Construction Budgets

The ARLFAC members proposed working budgets for the current phase of the South Side Alternate Delivery System (ADS) and the Lake McKinney capacity and control improvements with a recommendation for each provided the GMD3 Board. After significant review of plans and engineering estimates, GMD3 board approved limited working budgets for each of these priority projects to allow engineering specifications and construction bidding and construction work to occur without allowing unanticipated and excessive expenditures. Construction work, engineering and right of way expenditures began for the two priority projects early in 2009.

Payment Voucher Submittal and Processing

Payment from the Fund occurs through the submittal of a signed voucher with attached invoices by an approved project operator. The request for payment is reviewed by GMD3 staff for consistency with a project budget amount that has had both ARLFAC and GMD3 board action. The voucher requires signature from an authorized ARPFAC representative and an approved GMD3 board representative. A check is generated by the GMD3 staff to the vendor identified on the voucher and signed by two different GMD3 staff or representatives of the district that are authorized to remit GMD3 funds. All executed vouchers are regularly reviewed by the ARLFAC and the GMD3 board and approved.



Southwest Kansas
Groundwater Management District No. 3
2009 E. Spruce
Garden City, Kansas 67846
(620) 275-7147 phone (620) 275-1431 fax
www.gmd3.org

PAYMENT VOUCHER
GMD3 WESTERN WATER CONSERVATION PROJECTS FUND

Project: _____

Work Completed: _____

Payment Requested by: _____ **Amount:** _____

Representing: _____

Advisory Committee
Signature: _____ **Date Approved** _____

GMD3
Signature: _____ **Date Approved:** _____

Date of Disbursement: _____

Comments:

VENDOR-SUPPLIER NAME AND ADDRESS:

By submitting this voucher, the organization or individual attest that the work has been completed in accordance with applicable specifications and the debt is appropriate and consistent with the purposes of the project, subject to a review by the advisory committee for best use of the funds. The requesting party affirms and agrees: (1) it is solely responsible for all decisions for contract letting and assurance of proper permitting, completion and quality of work; (2) it is solely responsible to secure proper application of the payment to contractors, subcontractors and suppliers, either through sufficient bonding or by an evaluation of the assets of the contractor to protect the use of project funds and insure their purposes occur; and: (3) the Projects Fund has no responsibility for the performance of the work. The party requesting payment has disclosed any interest in the vendor-supplier, and either bids were let for the work or the requested payment represents fair and reasonable value consistent with local costs for similar work.

Western Water Conservation Project Fund project activities

In 2006, feasibility studies for three proposed conservation projects were initiated to collect and analyze data, and further examine the costs and potential resource benefits, as well as the

potential interaction and complimentary effects of multiple projects. The feasibility studies were intended to determine the appropriateness of moving forward with the proposed water conservation projects. The three were:

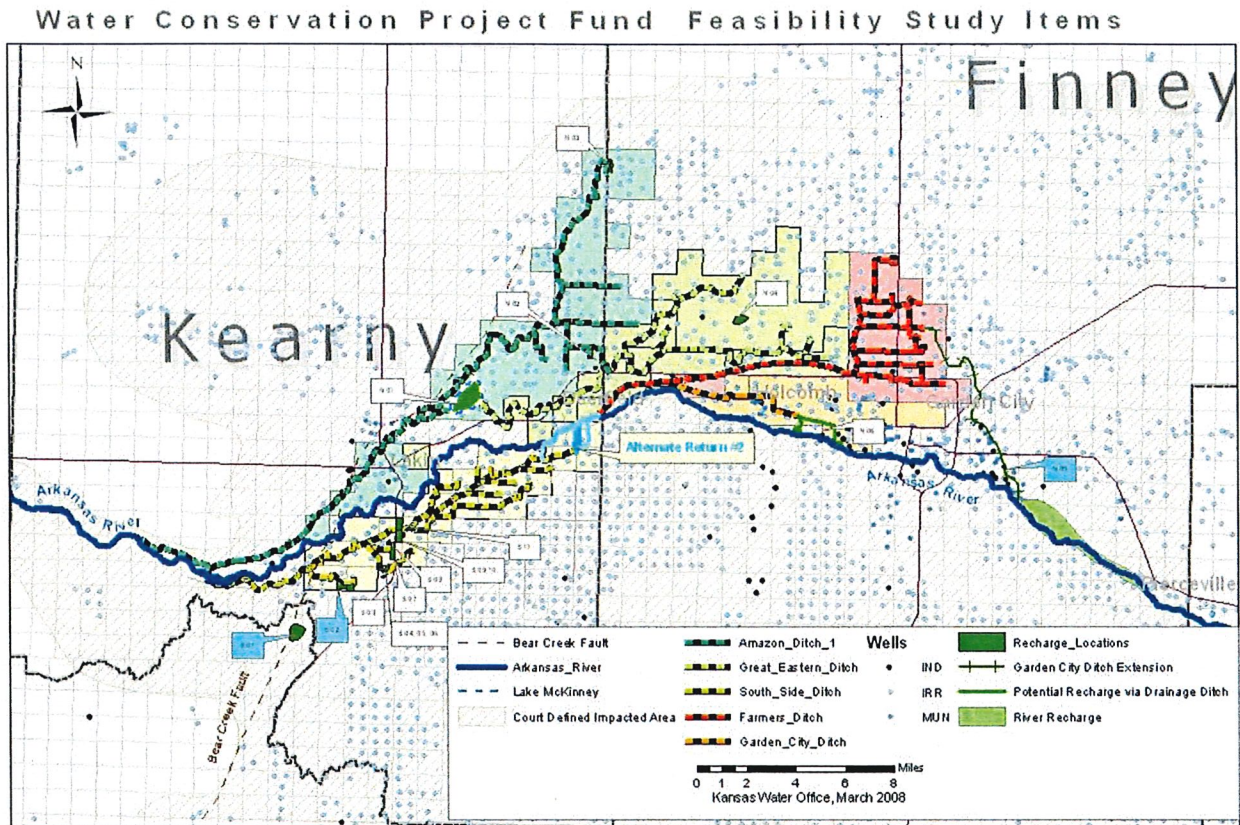
1) Southside

- a. Southern Alternative Delivery System
- b. Lining of Southside Ditch

2) Lake McKinney

- a. Restoring Lake McKinney capacity, Update Control Structures
- b. Alternate delivery system around Lake McKinney

3) Arkansas River: Enhanced Aquifer Recharge from Arkansas River Flows



Recharge Project Status

The result of the recharge feasibility study was to recognize the limitations and expense of relatively small and distributed site projects with two options having some attractive possibilities; the Bear Valley site and the river channel below Garden City. Additional action to further investigate the feasibility of individual sites was put on hold until completion of the Preferred Interstate Supply Assessment Project.

**South Side Ditch Irrigation Association
Alternate Delivery System through South Side Ditch**

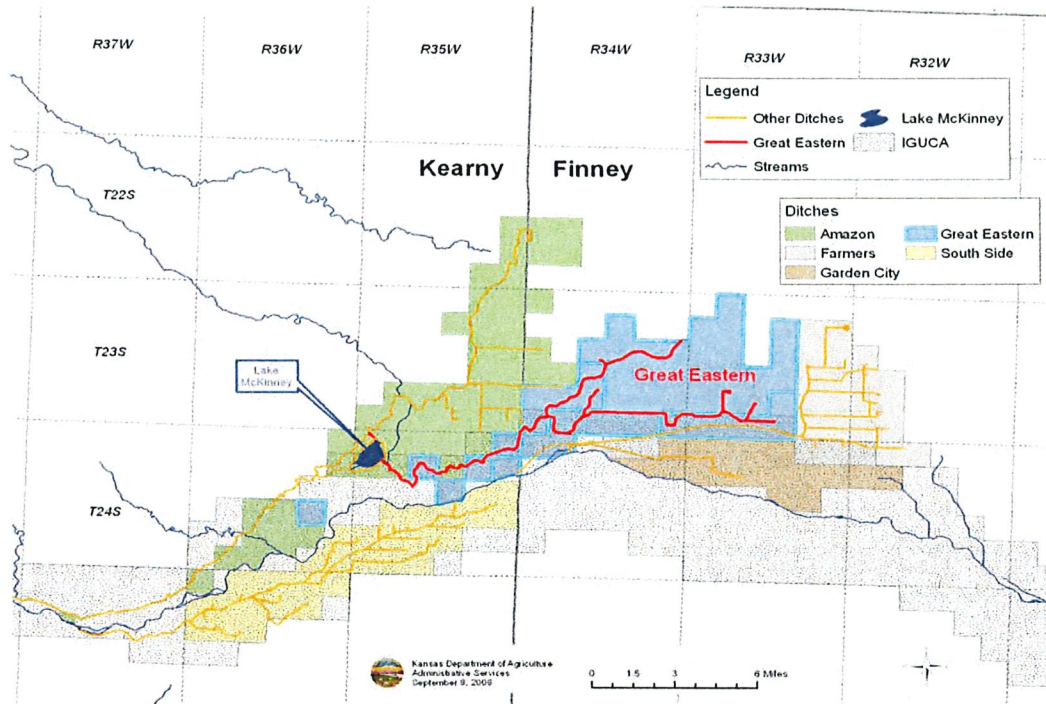
Approval of up to \$200,000 was granted by the GMD3 board for initial engineering and right of way acquisition. Preliminary engineering design and construction cost estimates were completed in early 2009. Requests for bids were let by the construction engineer for the Southside project phase one. A bid was accepted for the construction that was significantly less than engineer estimates. ARLFAC review and GMD3 board approved of a \$500,000 construction budget. Due to some legal questions regarding existing right of way and efforts to accommodate landowner concerns, an alternative proposed route for the connector ditch was designed to avoid the center of several pivot irrigation fields. The proposed work was adopted. Work is progressing on key control structures.

Very good coordination and cooperation is occurring between the South Side Irrigation Association, the Kearny County Commissioners and the members of the ARLFAC. Kearny County has agreed to contribute resources to replace two bridges where County Roads cross the ditch system work, which saves Fund dollars.

Lake McKinney Projects

Engineering began in 2008 for the construction needs to restore part of the historic storage capacity of Lake McKinney including replace the dam outlet control gates and rebuilding two dikes, as well as design of a lake bypass for use when water supply is limited. Approval of up to \$200,000 was granted by the GMD3 board for initial engineering and right of way acquisition. Bids were received by the Garden City Company who owns the Lake and a bid was accepted with review by the ARLFAC. Although construction work began in late 2009, the special nature and availability of the steel control gates has caused significant delays and threatens to effect water diversions into the lake for 2010.





Location of Lake McKinney near the borders of Kearny and Finney Counties, southwest Kansas.

Lake McKinney Capacities

<u>Date</u>	<u>Surface Area</u>	<u>Capacity in Acre Feet</u>
February 10, 1907	3,000*	15,000*
Fall 1907	2,560 (unknown)	11,066.42 (21' Depth)** 18,722.28 (25' depth)
1909	3,200	31,063.09
1954	1,410	22,837.00
1977	947.46	Unknown
1989	818	3,996.00

*Early unsubstantiated estimates

**Apparently water could not be raised above this level because of a leak in the dam.

History of Lake McKinney loss of storage capacity with time.



Old Outlet works with silt and grass indicating capacity loss in Lake McKinney

Preferred Interstate Supply Assessment

A third project authorized in late 2008, the "Preferred Interstate Supply Evaluation" will review the Arkansas River operational factors controlled by the Compact and associated agreements, and the U.S. Supreme Court decree in *KS vs. Co* to determine which river operations may be managed to maximize the water supply into Kansas and GMD3. The authorized budget for the full project is \$100,000. The evaluation will also review the river infrastructure and existing project studies to identify the projects and operating protocols that would maximize the beneficial water supply.

The first part of that study effort to pull together all of the pertinent documents and descriptions occurred at a cost of \$12,000, with a report and a reference appendix produced by Spronk Water Engineers in November 2009. From this work it is expected that some engineering of possible river operation alternative may occur and that flood stage recharge feasibility may also be further developed working from the earlier recharge feasibility study conducted by Burns and McDonald Engineering and the Kansas Water Office.

SOUTHWEST KANSAS GROUNDWATER
MANAGEMENT DISTRICT NO. 3
STATUTORY BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3

STATUTORY BASIS FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Southwest Kansas Groundwater
Management District No. 3
Garden City, Kansas 67846

We have audited the accompanying statutory basis financial statements of the Southwest Kansas Groundwater Management District No. 3, as of and for the year ended December 31, 2009, as listed in the table of contents. These statutory basis financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statutory basis financial statements based on our audit. The prior year comparative information has been derived from the District's 2008 financial statements and, in our report dated January 27, 2009, we expressed an unqualified opinion on the statutory basis financial statements prepared on the basis of accounting described in Note 1.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the District prepared these statutory basis financial statements using accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter described in the preceding paragraph, the statutory basis financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Southwest Kansas Groundwater Management District No. 3, Kansas, as of December 31, 2009, or the changes in its financial position for the year then ended. Further, the District has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

405 North Sixth Street | P.O. Box 699
Garden City, KS 67846
620-275-9267 | 800-627-0636
Fax: 620-275-8936 | www.lhd.com

CPAs

Charles H. Claar, Jr, CPA
Theresa Dasenbrock, CPA, CFE
David L. Hetrick, CPA
Steven D. Jossierand, CPA
Donald R. Linville, CPA
Gary A. Schlappe, CPA
Rodney Van Norden, CPA

Sue A. Bradley, CPA
Susan A. Burgardt, CPA
Shannon N. Euliss, CPA
Mary A. Floto, CPA
Tracey Homm, CPA, CSEP
Challie Metzger, CPA
Kimberly A. Roth, CPA
Kristin J. Sekavec, CPA
Monica J. Wilson, CPA

Board of Directors
Southwest Kansas Groundwater
Management District No. 3
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Further, in our opinion, the statutory basis financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of the Southwest Kansas Groundwater Management District No. 3, Kansas, as of December 31, 2009, and its cash receipts and expenditures, and budgetary comparisons, for the year then ended, taken as a whole under the basis of accounting described in Note 1.

Lewis, Hooper & Dick, LLC
LEWIS, HOOPER & DICK, LLC

January 25, 2010

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
 Summary of Cash Receipts, Expenditures
 and Unencumbered Cash
 For the Year Ended December 31, 2009

Fund	Unencumbered Cash 01-01-09	Cash Receipts	Expenditures	Unencumbered Cash 12-31-09	Outstanding Encumbrances and Payables	Treasurer's Cash 12-31-09
Governmental Type Funds:						
General	\$ 1,104,208	\$ 679,570	\$ 787,465	\$ 996,313	\$ 1,786	\$ 998,099
Special Revenue Funds:						
Arkansas River Water Conservation Projects	9,927,298	237,735	748,027	9,417,006	-	9,417,006
Water Right Retirement	-	-	-	-	-	-
Total Reporting Entity (memorandum only)	<u>\$ 11,031,506</u>	<u>\$ 917,305</u>	<u>\$ 1,535,492</u>	<u>\$ 10,413,319</u>	<u>\$ 1,786</u>	<u>\$ 10,415,105</u>

Composition of cash:

General Fund:

Commerce Bank:		
Checking account		\$ 41,350
Money market accounts		26,579
Certificates of deposit		222,988
First National Bank:		
Certificates of deposit		607,819
Western State Bank:		
Savings account		<u>99,363</u>
Total General Fund		<u>998,099</u>

Water Conservation Project Fund:

Commerce Bank:		
Checking account		11,973
Savings account		4,735,761
Western State Bank:		
Money market accounts		169,272
Certificates of deposit		<u>4,500,000</u>
Total Water Conservation Fund		<u>9,417,006</u>
Total cash		<u>\$ 10,415,105</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
 Summary of Expenditures - Actual and Budget
 For the Year Ended December 31, 2009

Fund	Certified Budget	Expenditures Chargeable to Current Year Budget	Variance Over (Under)
Governmental Type Funds:			
General	\$ 1,225,865	\$ 787,465	\$ (438,400)
Special Revenue:			
Arkansas River Water Conservation Projects	15,500,000	748,027	(14,751,973)
Water Right Retirement	25,000,000	-	(25,000,000)

The accompanying Notes to Financial Statements are an integral part of this statement.

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Assessments	\$ 621,996	\$ 628,932	\$ 620,000	\$ 8,932
Interest	51,813	29,040	40,000	(10,960)
Intergovernmental	-	-	2,000	(2,000)
Reimbursed expenses and miscellaneous	23,890	21,598	5,000	16,598
Total cash receipts	<u>697,699</u>	<u>679,570</u>	<u>\$ 667,000</u>	<u>\$ 12,570</u>
Expenditures:				
Payroll taxes and benefits:				
Payroll taxes and benefits	<u>18,595</u>	<u>22,021</u>	<u>\$ 69,000</u>	<u>\$ (46,979)</u>
Administration:				
Salaries and benefits	290,185	333,971	390,000	(56,029)
Rent	31,800	15,900	40,000	(24,100)
Vehicle expense	17,214	7,936	15,000	(7,064)
Director travel and education	17,115	14,422	20,000	(5,578)
Meeting expense	14,043	8,723	20,000	(11,277)
Telephone	11,645	9,815	15,000	(5,185)
Employee travel and education	2,281	12,304	15,000	(2,696)
Postage	4,166	2,320	20,000	(17,680)
Supplies	8,079	18,992	25,000	(6,008)
Computer and equipment maintenance	10,984	13,093	20,000	(6,907)
Legal publications	2,036	1,884	15,000	(13,116)
Utilities	5,852	7,856	10,000	(2,144)
Insurance and bonds	11,267	13,290	20,000	(6,710)
Miscellaneous	16,494	21,135	25,000	(3,865)
Contingencies	-	-	134,865	(134,865)
Total administration	<u>443,161</u>	<u>481,641</u>	<u>784,865</u>	<u>(303,224)</u>
Water management projects:				
Meter inspection	54,034	51,142	75,000	(23,858)
Water quality	-	-	40,000	(40,000)
Research and scientific resources	5,449	4,030	90,000	(85,970)
Weather modification	15,000	12,500	20,000	(7,500)
Total water management projects	<u>74,483</u>	<u>67,672</u>	<u>225,000</u>	<u>(157,328)</u>
Professional services:				
Legal fees	-	-	35,000	(35,000)
Lobbyist	18,565	19,380	30,000	(10,620)
Document archival/computer consultants	3,250	2,250	15,000	(12,750)
Office maintenance	4,800	4,800	10,000	(5,200)
Accounting	10,392	8,743	12,000	(3,257)
Total professional services	<u>37,007</u>	<u>35,173</u>	<u>102,000</u>	<u>(66,827)</u>
Capital outlay	<u>226,305</u>	<u>180,958</u>	<u>45,000</u>	<u>135,958</u>
Total expenditures	<u>799,551</u>	<u>787,465</u>	<u>\$ 1,225,865</u>	<u>\$ (438,400)</u>
Cash receipts under expenditures	(101,852)	(107,895)		
Unencumbered cash, beginning of year	<u>1,206,060</u>	<u>1,104,208</u>		
Unencumbered cash, end of year	<u>\$ 1,104,208</u>	<u>\$ 996,313</u>		

The accompanying Notes to Financial Statements are an integral part of this statement.

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
 ARKANSAS RIVER WATER CONSERVATION PROJECTS FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2009
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Intergovernmental	\$ 9,878,790	\$ -	\$ 15,500,000	\$ (15,500,000)
Interest	48,508	237,735	-	237,735
Total cash receipts	9,927,298	237,735	\$ 15,500,000	\$ (15,262,265)
Expenditures:				
Water conservation projects:				
Project costs	-	748,027	\$ 15,500,000	\$ (14,751,973)
Total expenditures	-	748,027	\$ 15,500,000	\$ (14,751,973)
Cash receipts over (under) expenditures	9,927,298	(510,292)		
Unencumbered cash, beginning of year	-	9,927,298		
Unencumbered cash, end of year	\$ 9,927,298	\$ 9,417,006		

The accompanying Notes to Financial Statements are an integral part of this statement.

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
 WATER RIGHT RETIREMENT FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2009
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Project funds	\$ -	\$ -	\$25,000,000	\$ (25,000,000)
Total cash receipts	-	-	<u>\$25,000,000</u>	<u>\$ (25,000,000)</u>
Expenditures:				
Water conservation projects:				
Project costs	-	-	\$25,000,000	\$ (25,000,000)
Total expenditures	-	-	<u>\$25,000,000</u>	<u>\$ (25,000,000)</u>
Cash receipts over expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>		

The accompanying Notes to Financial Statements are an integral part of this statement.

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
Notes to Financial Statements
For the Year Ended December 31, 2009

1. Summary of significant accounting policies

The Southwest Kansas Groundwater Management District No. 3 was incorporated under provisions of the State of Kansas. The more significant of the District's accounting policies are described below.

A. Financial reporting entity

The District is governed by an elected board. As required by accounting principles generally accepted in the United States of America, these financial statements present the Southwest Kansas Groundwater Management District No. 3 (the primary government) and its component units. The component units discussed below are included in the District's reporting entity because of the significance of their operational or financial relationships with the District.

The District has no organizations, functions or activities which are considered component units of the District.

B. Measurement focus, basis of accounting and basis of presentation

These financial statements are presented on a statutory basis of accounting. The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

C. Waiver of financial reporting requirements

The District's Board has determined by resolution that financial statements prepared in conformity with accounting principles generally accepted in the United States of America are not relevant to the requirements of the cash basis and budget laws of the State of Kansas and are of no significant value to the Board, the District or the members of the general public of the District. The District approved the resolution which served as notice of the Board's election to waive the requirements for reporting of its financial data in conformity with accounting principles generally accepted in the United States of America, as provided and authorized by K.S.A. 75-1120a.

D. Departure from generally accepted accounting principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expense; liabilities such as deferred revenue and matured principal and interest payable; and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings and equipment owned by the District are not presented in the financial statements. Also, long-term debt such as general obligation bonds, capital leases, temporary notes and compensated absences are not presented in the financial statements.

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
Notes to Financial Statements
For the Year Ended December 31, 2009

1. Summary of significant accounting policies (continued)

E. Fund accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following types of funds are used by the District:

Governmental Funds

General Fund - to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditures for specified purposes.

F. Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before the District's annual meeting.
2. Publication in local newspaper of the notice of public hearing on the budget at least twenty-eight days before the annual meeting.
3. Public hearing at the annual meeting, but at least twenty-eight days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments for the year ended December 31, 2009.

The legal level of budgetary control is the fund level. The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
Notes to Financial Statements
For the Year Ended December 31, 2009

1. Summary of significant accounting policies (continued)

F. Budgetary information (continued)

A legal operating budget is not required for capital project funds, fiduciary funds and certain special revenue funds. Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes or by the use of internal spending limits established by the governing body.

G. Property taxes and special assessments

The determination of assessed valuations and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the counties. The County Appraiser annually determines assessed valuations based on real property transactions as recorded by the Register of Deeds and personal property holdings reported by taxpayers. The County Clerk spreads the annual assessment on the tax rolls and the County Treasurer collects the taxes for all taxing entities within the County.

Taxes are assessed on a calendar year basis, are levied and become a lien on the property on November 1st of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the County Treasurer from distributing the taxes collected in the year levied prior to January 1st of the ensuing year. One-half of the property taxes are due December 20th and distributed to the District by January 20th to finance a portion of the current year's budget. The second half is due May 10th and distributed to the District by June 5th. The District Treasurer draws available funds from the County Treasurer's office at designated times throughout the year.

H. Cash and investments

Cash resources of the individual funds are combined to form a pool of cash and investments which is managed by the District (except for investments in the Kansas Municipal Investment Pool). Cash includes amounts in demand deposits, time deposits and certificates of deposit. Investments of the pooled accounts consist primarily of investments with the Kansas Municipal Investment Pool and U.S. government securities carried at cost, which approximates market. Interest income earned is allocated as designated by the Board.

I. Post-employment health care benefits

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. There is no cost to the District under this program.

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
Notes to Financial Statements
For the Year Ended December 31, 2009

1. Summary of significant accounting policies (continued)

J. Compensated absences

The District's policy is to recognize the costs of compensated absences when actually paid.

The District's policies regarding leave pay permits employees to accumulate leave days up to a maximum of 30 days. The District has estimated the dollar amount of accumulated leave pay at December 31, 2009, at \$21,319.

Sick leave accumulates at the rate of 8 hours every month up to a maximum of 720 hours. There is no reimbursement upon leaving the District.

K. Interfund transactions

Quasi-external transactions (i.e., transactions that would be treated as revenues or expenses if they involved organizations external to the governmental unit, such as internal service fund billings to departments) are accounted for as cash receipts or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

L. Reimbursements

A reimbursement is an expenditure or expense initially made in one fund, but properly attributable to another fund. For example, it is common for the general fund to pay a vendor's bill and have portions of it reimbursed by other funds. In accounting for such reimbursements, the District records an expenditure (or expense) in the reimbursing fund, and a reduction of expenditure (or expense) in the reimbursed fund, following the authoritative guidance of the *Governmental Accounting, Auditing and Financial Reporting*.

M. Memorandum totals

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. No consolidated financial information is presented nor is all required disclosures presented for these amounts.

N. Comparative data

The statutory basis financial statements include certain prior year comparative information in order to provide an understanding of the changes in the cash receipts and expenditures of the funds, but not at the level of detail required for a presentation in conformity with the statutory basis of accounting. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
Notes to Financial Statements
For the Year Ended December 31, 2009

2. Deposits and investments

A reconciliation of cash and investments as shown in the composition of cash on the summary of cash receipts, expenditures and unencumbered cash on Statement 1 is as follows:

Carrying amount of deposits	\$ 10,415,105
Total cash	\$ 10,415,105

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of credit risk

State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk - deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City or the Federal Home Loan Bank of Topeka except during designated "peak periods" when required coverage is 50%. The District does not use designated "peak periods".

At December 31, 2009, the District's carrying amount of deposits was \$10,415,105 and the bank balance was \$10,450,738. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$838,954 was covered by federal depository insurance and \$9,611,784 was collateralized with securities held by the pledging financial institutions' agents in the District's name. The District's cash deposits at year-end are as follows:

	Commerce Bank	Western State Bank	First National Bank - Liberal
FDIC coverage	\$ 338,954	\$ 250,000	\$ 250,000
Pledged securities at market value	4,889,680	5,080,785	685,566
Total coverage	\$ 5,228,634	\$ 5,330,785	\$ 935,566
Funds on deposit	\$ 5,074,283	\$ 4,768,636	\$ 607,819
Funds at risk	\$ -	\$ -	\$ -

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
Notes to Financial Statements
For the Year Ended December 31, 2009

2. Deposits and investments (continued)

Custodial credit risk - investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The District had no investments of this type at December 31, 2009.

3. Capital projects

Capital project authorizations with approved change orders compared to disbursements and accounts payable from inception to December 31, 2009, were as follows:

	Project Authorization	Disbursements and Accounts Payable to Date	Committed
Office remodeling	\$ 175,772	\$ 175,772	\$ -

4. Long-term debt

Changes in long-term liabilities for the year ended December 31, 2009, were as follows:

	Unpaid 01-01-09	Net Change	Unpaid 12-31-09
Employee compensated absences payable	\$ 18,509	\$ 2,810	\$ 21,319
Total long-term debt	\$ 18,509	\$ 2,810	\$ 21,319

No interest was paid in fiscal year 2009.

5. Deferred compensation plan

The District sponsors a salary reduction profit sharing plan. The plan is a defined contribution plan with no fixed dollar amount of retirement benefits. The participants' retirement benefits are dependent upon employer contributions and salary reduction contributions, earnings of the plan and the time a person is a participant in the plan. Various eligibility requirements are required by the plan as applicable to IRS Section 401(k). The District's contribution may not exceed 6% annually of the eligible participants' compensation for the year. Five employees of the District participated in the plan in 2009 with salary reduction contributions of \$13,802; the District's contribution for 2009 was \$13,802 on covered salaries.

6. Operating leases

On July 12, 2006, the District entered into a new three year lease, ending December 31, 2009, for office space at \$2,650 per month. The lease agreement was terminated June 30, 2009, with no additional cost to the District. Lease expense paid under this lease for 2009, was \$15,900.

SOUTHWEST KANSAS GROUNDWATER MANAGEMENT DISTRICT NO. 3
Notes to Financial Statements
For the Year Ended December 31, 2009

7. Risk management and self-insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

8. Compliance with Kansas statutes

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and the legal representative of the District.

There were no material violations of Kansas statutes for the year ended December 31, 2009; however, the following immaterial violation was noted:

K.S.A. 60-111 requires contractors to provide bonds for all public works projects over \$100,000. During the current year, a contractor's bond was not obtained for the remodel of the new office building.



PRODUCTS
KNIFE TECHNOLOGY
DESIGNER BIDS
LOCATE A LOCAL DEALER

FIND A KNIFE: KERSHAW



WHAT'S NEW?

SEARCH

RESULTS 1 - 1 OF 1



RAINBOW LEEK SERRATED - 1660VIBST

MSRP: \$99.95

- › [DETAILS](#)
- › [BUY FROM A DEALER](#)

Steel: Sandvik 13C26 stainless-steel
Handle: 410 stainless-steel titanium-oxide coated
Blade: 3 in. (7.5 cm) **Closed:** 4 in. (10.3 cm)
Overall: N/A **Weight:** 3.0 oz.
 Made in the USA

RESULTS 1 - 1 OF 1

[ABOUT US](#) [PRIVACY POLICY](#) [FAQ'S](#) [WARRANTY](#) [PRESS RELEASES](#) [PARTNERS](#) [DEALERS](#) [CONTACT US](#)



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Senate Natural Resources
02-12-10
Attachment 3 - /



PRODUCTS
KNIFE TECHNOLOGY
DESIGNER BIOS
LOCATE A LOCAL DEALER

FIND A KNIFE: KERSHAW



WHAT'S NEW?

SEARCH

RESULTS 1 - 1 OF 1



LEEK COMPOSITE BLADE - 1660CB

MSRP: \$99.95

Steel: Sandvik 13C26/CPM-D2 composite two-tone stainless-steel with copper accent

Handle: 410 stainless-steel

Blade: 3 in. (7.5 cm)

Closed: 4 in. (10.3 cm)

Overall: N/A

Weight: 3.0 oz.

Made in the USA

[DETAILS](#)

[BUY FROM A DEALER](#)

RESULTS 1 - 1 OF 1

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PRODUCTS

KNIFE TECHNOLOGY

DESIGNER BIOS

LOCATE A LOCAL DEALER

KNIFE TECHNOLOGY: SPEEDSAFE

SEARCH

SpeedSafe[Tip Safety Lock](#)[Reversible Pocket Clip](#)[Removable Pocket Clip](#)[Pocket Clip](#)[Frame Lock](#)[Back Lock](#)[Stud Lock](#)[Locking Liner](#)[Blade Safety Lock](#)[Ambidextrous Opening](#)[Changeable Blades](#)[Full Tang Construction](#)[Thumb Stud](#)[Glass Breaker Tip](#)[Hawk-Lock](#)[Flipper](#)**What is SpeedSafe®?**

SpeedSafe® is a patented system that assists the user to smoothly open any SpeedSafe® knife with a manual push on the blade's thumb stud or pull back on the blade protrusion. SpeedSafe® is built into many of Kershaw's best-selling knives.

How does SpeedSafe® work?

The heart of SpeedSafe® is its torsion bar. Closed, the torsion bar helps keep the knife closed, preventing it from being opened by "gravity." In order to open the knife, the user must apply manual pressure to the thumb stud or blade protrusion to overcome the resistance of the torsion bar. After the blade is out of the handle, the torsion bar moves along its half-moon track and takes over. The blade opens smoothly and locks into position, ready for use.

Is a SpeedSafe® knife a switchblade?

NO! There are many unique features of SpeedSafe® knives that make them quite different than knives that are considered switchblades. Unlike a switchblade, SpeedSafe® blades DO NOT deploy with the push of a button in the handle or by gravity alone. Instead, the user must manually overcome the torsion bar's resistance—using the thumb stud or protrusion on the blade itself—in order to engage the SpeedSafe® system. Because the user must manually overcome the torsion bar's resistance, SpeedSafe® knives fall fully outside the Federal definition of a switchblade. However, due to the complexity and constantly changing nature of these laws and regulations, it is impossible for Kershaw Knives to be aware of every restriction in every location in which our knives are sold or carried. It is the responsibility of the buyer to investigate and comply with the laws and regulations that apply in his or her specific area.

Who are our SpeedSafe® customers?

SpeedSafe® was specifically designed for sporting and work situations where one-handed opening is preferable and safer. Its safe, efficient opening has made it a popular choice for hunters, fishermen, and those who require the one-hand opening function on the job-site.

How Safe is SpeedSafe®?

Very. SpeedSafe® opens ONLY when the user manually deploys it using either the thumb stud or blade protrusion. Once deployed, a locking system secures the blade in position so that it cannot close accidentally. When releasing the lock, the blade does not snap shut due to resistance provided by the torsion bar. This bar also provides a bias towards the closed position, which holds the blade securely closed. New SpeedSafe® users can ensure safe use of the technology by practicing to proficiency.

[ABOUT US](#) [PRIVACY POLICY](#) [FAQ'S](#) [WARRANTY](#) [PRESS RELEASES](#) [PARTNERS](#) [DEALERS](#) [CONTACT US](#)



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PROPOSED FORM

SESSION OF 2010

SUPPLEMENTAL NOTE ON SENATE BILL NO. _____

*As Recommended by Senate Committee
on Natural Resources*

Brief

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Background

The knives described in the proposed exception to the definition of an illegal switchblade/gravity knife are commonly referred to as one-handed opening knives or assisted opening knives and are manufactured by several large knife manufacturers. The knives covered by the proposed exception serve an important utility as hand tools. Such knives are used by firefighters, EMT personnel, hunters, fishermen, contractors and others. Many consumers require a cutting tool that is quickly accessible with one hand. The knives described in the proposed exception serve this purpose. The statute should, therefore, be clarified to remove such knives from the definition of a prohibited weapon.

The proposed change to the statute parallels the language codified by Congress, the State of Texas, and other states. See e.g. 15 U.S.C. 1241; 1244, Texas Penal Code Section 46.01 (11), and California Penal Code Section 653k. The language in the proposed exception clarifies the definition of a switchblade to permit law-abiding citizens to use these functional tools without fear of violating the criminal law.

A mechanism in the knife that creates a bias toward closure ensures that hand pressure must be exerted to the blade to open the knife. A flick of the wrist or other outward thrust will not open a knife described by the proposed language but would open a gravity or a "butterfly" knife, which are still prohibited by the statute. Further, unlike a switchblade, where the knife when closed, is under spring pressure (i.e. bias towards open), the knives described in the proposed exception have a bias towards closure which must be overcome to open the knife. Therefore, such knives are not switchblades, and the proposed exception would not legalize switchblades as the bias in a switchblade is towards open, not closed.



Kansas Association of Chiefs of Police
PO Box 780603, Wichita, KS 67278 (316)733-7301

Kansas Peace Officers Association
PO Box 2592, Wichita, KS 67201 (316)722-8433



February 15, 2010

Testimony to the Senate Natural Resources Committee In Opposition to SB497

The Kansas Association of Chiefs of Police and the Kansas Peace Officers Association oppose SB497. To be clear, please understand our opposition is not to the legal status of the knives that have been described to you, but to the unnecessary change in the statute proposed in the bill. The proponents described to the committee how the knives in question are not illegal under current statute. We believe the proposed language is no more clear than the current law. The proposed language uses knife engineering terms such as “detent” and “bias toward closure.” This language is likely to still not be easily understood by law enforcement, the courts, and more importantly the public.

Further problems exist with the likely unintended consequences of changing the language of the statute. We believe the proposed amendment to the statute opens a door for less reputable knife designers to create knives to circumvent the prohibitions that actually exist in the current law.

It is our belief the problem the proponents are attempting to address is not a problem with the statute, but a law enforcement training issue we can address without amending the law. As an example, we know of one of the larger police departments that identified the problem the proponents have described as their officers applied a city ordinance. Their fix to that problem was 1) amending their ordinance to match existing state law, and 2) providing roll call training to the officers.

As stated, it is our belief amending the statute is unnecessary and carries unintended risks. It is not our desire to recommend optional wording for the bill. However, at the direction of the committee we offer the attached amendment for the committee to consider if there is continued desire to amend the statute. The attached option does away with the engineering terms and puts the desired results in plain language. We also believe this language minimizes, but does not completely eliminate the risk of unintended consequences. For example, in our proposed language the exception applies only to the second type of knife prohibited in the existing statute. Clearly the knives desired to be exempted are not switchblades which require a button or device on the handle to release the blade “that opens automatically.” It is this second definition (“a blade that opens or falls or is ejected into position by the force of gravity or by an outward, downward or centrifugal thrust or movement”) the proponents expressed the most concerns with when I discussed this issue with them prior to the bill introduction. This section of the existing law was implemented to address a problem with knives with a blade held closed by tension against the blade but without a spring loaded mechanism to extend the blade like the switchblade does. These knives were designed to circumvent the switchblade laws in place at the time. They were designed so that swinging the knife would cause the centrifugal force to pull the blade from the tension device holding it shut and extend it to a locked position without assistance from a spring. This is an example of how some less reputable knife manufacturers will use statute language to their advantage if not carefully crafted.

One of the tasks that I have recently been engaged in is serving as vice-chair of the Criminal Code Recodification Commission. The proposed language is the type of language the commission worked to remove from the statutes and replace with plain, easily understood language. We also believe it is not good statutory practice to start listing all of the exceptions in the statute when it can be avoided, but rather to clearly state what is prohibited.

Additionally, federal law is not always the best example to use in state statute. Federal laws are most commonly aimed at controlling interstate commerce and manufacturing and not street level enforcement. For this reason, we believe it is not necessary nor the best solution to replicate the federal law into Kansas law.

We also are concerned with the proposed change to subsection (b). The proposed language “or other folding knife” is too ambiguous and leaves this open to much interpretation and unintentionally exempting knives not intended to be exempted. For example, as written, the proposed bill would eliminate some knives determined by the courts to be “dangerous knife” as used on page 1, line 29. (See State vs. Moore, 2008 Kansas Appellate Court). This is the type of unintended consequence we fear with these changes. Again, the proposal attempts to define exceptions instead of defining what is prohibited. We strongly urge you to not amend subsection (b) as it will clearly change the law as it relates to established case law on “dangerous knife.”

We recommend you make no change to the statute at all, but if you still desire to do that we strongly encourage the attached amendment instead of the one currently proposed in the bill for subsection (a) and to eliminate any amendment to subsection (b). It is the least likely to unintentionally change the established case law or to unintentionally create loopholes in the law.

Please contact me if you have questions.

Ed Klumpp
Legislative Liaison
Kansas Association of Chiefs of Police
Kansas Peace Officers Association
eklumpp@cox.net
(785)640-1102

Optional Amendment:

21-4201. (a) Criminal use of weapons is knowingly:

(1) Selling, manufacturing, purchasing, possessing or carrying any bludgeon, sandclub, metal knuckles or throwing star, or

(A) any knife, commonly referred to as a switch-blade, which has a blade that opens automatically by hand pressure applied to a button, spring or other device in the handle of the knife, or

(B) any knife having a blade that opens or falls or is ejected into position by the force of gravity or by an outward, downward or centrifugal thrust or movement. *This subsection shall not prohibit a folding knife utilizing force applied to the blade or to an attachment to the blade of the knife to open.*

knife which has a spring, detent or other device which creates a bias towards closure of the blade and which requires hand pressure applied to such spring, detent or device in the blade of the knife to overcome the bias towards closure to assist in the opening of the knife;

(2) carrying concealed on one's person, or possessing with intent to use the same unlawfully against another, a dagger, dirk, billy, blackjack, slungshot, dangerous knife, straight-edged razor, stiletto or any other dangerous or deadly weapon or instrument of like character, except that an ordinary pocket knife *or other folding knife not prohibited under subsection (a),* with no blade more than four inches in length shall not be construed to be a dangerous knife, or a dangerous or deadly weapon or instrument;