



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

To the Board of Directors of
Information Network of Kansas, Inc.
Topeka, Kansas

We are pleased to present this letter related to our audit of the financial statements of Information Network of Kansas, Inc. (INK) for the year ended December 31, 2011. Statement on Auditing Standards No. 114 requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

1. The Auditor's Responsibility under Professional Standards

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated January 5, 2012.

2. Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by INK. INK did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.

3. Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

4. Alternative Treatments Discussed with Management

We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.

5. Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates.

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6. Audit Adjustments

There were no adjustments made to the original trial balance presented to us to begin our audit.

7. Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

8. Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

9. Significant Issues Discussed with Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

10. Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management during the audit.

11. Certain Written Communications Between Management and Our Firm

Copies of certain written communications between our firm and management of INK are attached to this letter.

This report is intended solely for the information and use of the Board of Directors and is not intended to be and should not be used by anyone other than the specified parties. We would be pleased to respond to any questions you have regarding this letter. We appreciate the opportunity to continue to be of service to INK.

Ferberich Trahan & Co., P.A.

September 17, 2012

Kansas

Information Network of Kansas

Berberich Trahan & Co., P.A.
3630 SW Burlingame Road
Topeka, Kansas 66611-2050

In connection with your audit of the financial statements of Information Network of Kansas, Inc. (INK) as of and for the years ended December 31, 2011 and 2010, we confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in financial position and cash flows in conformity with accounting principles generally accepted in the United States of America.

We confirm to the best of our knowledge and belief, as of the date of the auditor's report the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We are a component unit of the State of Kansas as this term is defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards.
3. We have identified for you all of our identifiable business-type activities.
4. We are responsible for compliance with laws and regulations applicable to INK.
5. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts including legal and contractual provisions for reporting specific activities in separate funds.
6. We have made available to you:
 - a. All financial records and related data of all funds and activities, including those of all special funds, programs, departments, projects, activities, etc., in existence at any time during the period covered by your audit.
 - b. All minutes of the meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. All communications from grantors, lenders, other funding sources or regulatory agencies concerning noncompliance with:
 1. Statutory, regulatory or contractual provisions or requirements.
 2. Financial reporting practices that could have a material effect on the financial statements.
7. We have no knowledge of fraud or suspected fraud affecting INK involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.

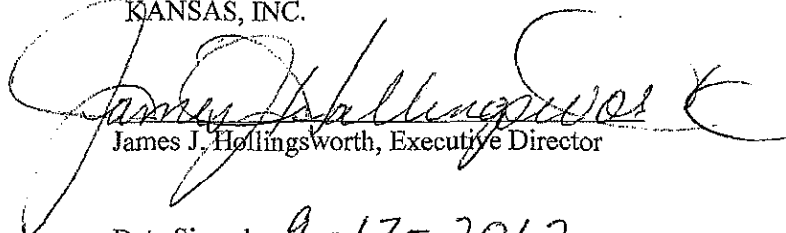
8. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting INK received in communications from employees, former employees, analysts, regulators or others.
10. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect INK's ability to record, process, summarize, and report financial data.
11. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
12. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
13. The following have been properly reflected and/or disclosed in the financial statements:
 - a. Related party transactions as defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, all of which have been recorded in accordance with the economic substance of the transaction and appropriately classified and reported.
 - b. Risk financing activities.
 - c. Deposits and investment securities category of custodial credit risk.
14. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made to reduce receivables to their estimated net collectible amounts.
15. There are no:
 - a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
 - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
 - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the FASB Accounting Standards Codification and/or GASB Statement No. 10.
 - d. Guarantees, whether written or oral, under which INK is contingently liable.
 - e. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.

- f. Lines of credit or similar arrangements.
 - g. Agreements to repurchase assets previously sold.
 - h. Security agreements in effect under the Uniform Commercial Code.
 - i. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
 - j. Investments.
 - k. Contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
 - l. Liabilities which are subordinated in any way to any other actual or possible liabilities.
 - m. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
 - n. Debt issue provisions.
 - o. Material amounts of rental obligations under long-term leases.
 - p. Significant estimates and material concentrations known to management which are required to be disclosed in accordance with the Risks and Uncertainties Topic of the FASB Accounting Standards Codification. Significant estimates are estimates at the financial statement date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.
 - q. Authorized but unissued bonds and/or notes.
 - r. Derivative financial instruments.
16. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with the Contingencies Topic of the FASB Accounting Standards Codification and/or GASB Statement No. 10.
17. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private that is not disclosed in the financial statements.
18. We have satisfactory title to all owned assets.
19. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act and OMB Circular No. A-133, because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
20. Net asset components (invested in capital assets and unrestricted) are properly classified and, if applicable, approved.
21. Capital assets are properly capitalized, reported and depreciated.
22. Required supplementary information is properly measured and presented.
23. We have reviewed, approved, and are responsible for overseeing the preparation and completion of the financial statements and related notes.

24. No events or transaction have occurred subsequent to the financial statement date that would require adjustment to, or disclosure in, the financial statements.
25. During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Very truly yours,

INFORMATION NETWORK OF
KANSAS, INC.

A large, stylized handwritten signature in black ink, appearing to read "James J. Hollingsworth". The signature is written over a horizontal line.

James J. Hollingsworth, Executive Director

Date Signed 9-17-2012



BERBERICH TRAHAN & CO., P.A.

Certified Public Accountants

INFORMATION NETWORK OF
KANSAS, INC.
(A COMPONENT UNIT OF THE STATE OF KANSAS)

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

INFORMATION NETWORK OF KANSAS, INC.
(A COMPONENT UNIT OF THE STATE OF KANSAS)

FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

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BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Information Network of Kansas, Inc.:

We have audited the basic financial statements of the business-type activities of Information Network of Kansas, Inc. (INK), a component unit of the State of Kansas, as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These basic financial statements are the responsibility of INK's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 of INK are intended to present the financial position and the results of its operations and cash flows of INK. They do not purport to, and do not present fairly, the financial position of the State of Kansas as of December 31, 2011 and 2010, and results of operations and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of INK as of December 31, 2011 and 2010, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Berberich Trahan & Co., P.A.

Topeka, Kansas
September 17, 2012

Management's Discussion and Analysis

As management of the Information Network of Kansas, Inc. (INK), we offer readers of INK's financial statements this narrative overview and analysis of the financial activities of INK for the years ended December 31, 2011 and 2010.

The Information Network of Kansas Inc., hereinafter referred to as INK, was created by the legislature of the State of Kansas in 1990. Its purposes and duties include providing to the citizens of Kansas electronic access to public information of agencies via a gateway service, to develop a dial-in gateway or electronic network for access to public information, to appropriately oversee and assure fulfillment of terms of contract of any network manager, to explore and where appropriate implement ways and means of expanding the amount and kind of public information, to expand the base of users, to cooperate with the Kansas Division of Information Systems and Communications (DISC) in seeking to achieve the purposes of INK, to explore and where appropriate implement new technological means for improving citizen and business access to public information and for-profit information and databases.

The statute provides for a managing board of ten members, consisting of

- The President of Kansas Inc.
- The Secretary of State
- Two members who are chief executive offices of agencies of the executive branch, appointed by the Governor
- One member of the Kansas Bar Association, appointed by the Governor from a list of three members submitted by such association
- Three members representing other user associations of a statewide character, appointed by the Governor from a list of not less than nine
- One member from the Kansas Public Libraries Association, appointed by the Governor from a list submitted by the President of such association
- The Director of DISC serves on the board as a nonvoting member

The board decides which services are to be offered to the public, the amount of the user fees, and administers the contract with the network manager. The board meets once a month, board committees meet more often as required, and serve without compensation. Travel expense of board members is reimbursed. No general fund taxes support INK. All revenue is from user fees.

Financial Support

The board of INK met for the first time in November, 1990, with no funds, and after selecting a network manager, commenced operations on January 16, 1992. The major source of user fees is paid by a few vendors supplying insurance companies with all Kansas driver and vehicle lien records, which are provided on behalf of the Department of Revenue. A second main source of revenue is interactive fees from a wide group of users of the network. Some of the main users now include commercial banks engaged in filing and retrieving UCC documents, lawyers accessing court and other records, other interactive uses include professional licenses, transportation registration and licensing, and legislative services.

INK Management

INK employed a network manager in 1990, a for-profit organization named Kansas Information Consortium (KIC), formed for the sole purpose of operating the network for the board. KIC serviced under the original contract, with extensions through December 31, 2002. A Request for Proposal for a network manager was issued by the board in 2002, consideration of vendors followed, and the board subsequently entered into another contract with KIC.

The contract provides that all gross fees are collected by INK, and after payment of direct costs to agencies in supplying data, 85% of such gross profit is to be paid to KIC for operating expense. The network manager, KIC, submits an annual business plan to the INK board for approval, enumerating expected costs of operations.

The INK board hired a full-time executive director in April, 2002, who occupied an office within Kansas, Inc., and was compensated through the State of Kansas, which was reimbursed as aforesaid by INK. Kansas Inc. has supplied office space, most furnishings, equipment and supplies, and personnel support services for INK since inception. At the end of fiscal year 2010, Kansas Inc. remained unfunded and the entity dissolved. INK signed a one-year lease for office space from the Kansas Association of Counties. INK makes biannual payments for rent to the Kansas Association of Counties for such costs. The Service Center division of the Department of Administration in conjunction with the Human Resource Department performs the Executive Director's payroll administration. INK provides funds to the Service Center for salary and benefits on a quarterly basis.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to INK's basic financial statements. INK engages in business-type activities and is reported as a component unit of the State of Kansas. As such, INK prepares these basic financial statements, notes to the financial statements and required supplementary information which includes this management's discussion and analysis.

The Statement of Net Assets provides information on the nature and amount of INK's economic resources. The Statement of Revenues, Expenses and Changes in Fund Net Assets reflect the operating revenues and expenses and the change in net assets for the years ended December 31, 2011 and 2010. The Statement of Cash Flows reconciles the change in cash with the activities of INK for the years ended December 31, 2011 and 2010.

Financial Highlights

- The assets of INK exceeded its liabilities at the close of the most recent fiscal year by \$ 1,788,781, which may be used to meet INK's ongoing obligations to participating state and local entities, program development, security, and disaster recovery contingencies.
- INK's total net assets increased by \$ 28,315 and \$ 25,174 for the years ended December 31, 2011 and 2010, respectively. The key factor for these increases is attributable to increased adoption of existing services and newly developed revenue-generating applications and expense management.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of INK, assets exceeded liabilities by \$ 1,788,781 at the close of the most recent fiscal year.

Information Network of Kansas, Inc.'s Net Assets

	2011	2010	2009
Current and other assets	\$ 4,715,357	\$ 4,433,103	\$ 4,537,248
Capital assets, less accumulated depreciation	1,922	-	515
Total assets	<u>4,717,279</u>	<u>4,433,103</u>	<u>4,537,763</u>
Other liabilities	<u>2,928,498</u>	<u>2,672,637</u>	<u>2,802,471</u>
Total liabilities	<u>2,928,498</u>	<u>2,672,637</u>	<u>2,802,471</u>
Net assets:			
Invested in capital assets	1,922	-	515
Unrestricted	<u>1,786,859</u>	<u>1,760,466</u>	<u>1,734,777</u>
Total net assets	<u>1,788,781</u>	<u>1,760,466</u>	<u>1,735,292</u>
Total liabilities and net assets	<u><u>\$ 4,717,279</u></u>	<u><u>\$ 4,433,103</u></u>	<u><u>\$ 4,537,763</u></u>

The remaining balance of *unrestricted net assets* (\$ 1,786,859) and (\$ 1,760,466) as of December 31, 2011 and 2010, respectively, may be used to meet INK's ongoing grant obligations, disaster recovery contingencies and to support existing and new program initiatives.

At December 31, 2011, INK is able to report positive balances in both categories of net assets.

The increase in total net assets is largely attributable to revenue generated from the increased adoption of existing services and newly developed applications created during the year on behalf of state entities.

Information Network of Kansas, Inc.'s Changes in Net Assets

	<u>Year Ended December 31, 2011</u>	<u>Year Ended December 31, 2010</u>	<u>Year Ended December 31, 2009</u>
Revenues:			
Operating network revenue, net	\$ 837,154	\$ 783,890	\$ 849,865
Operating expenses	<u>831,653</u>	<u>787,308</u>	<u>868,741</u>
Operating gain (loss)	5,501	(3,418)	(18,876)
Non-operating revenues:			
Interest income	<u>22,814</u>	<u>28,592</u>	<u>26,334</u>
Change in net assets	28,315	25,174	7,458
Net assets, beginning of period	<u>1,760,466</u>	<u>1,735,292</u>	<u>1,727,834</u>
Net assets, end of period	<u><u>\$ 1,788,781</u></u>	<u><u>\$ 1,760,466</u></u>	<u><u>\$ 1,735,292</u></u>

The increase in operating net revenue in 2011 is largely attributable to revenue generated from the introduction of new services, the increased adoption of existing services and newly developed applications created during the year on behalf of state entities. In addition, the increase in operating expenses is a function of the increase in operating network revenue as the network manager's remuneration is contractually based as a percentage of the net revenue.

The decrease in operating net revenue in 2010 is largely attributable to a reduction in revenue generated from the district court record searches, and an increase in credit card fees associated with increased adoption of existing services for electronic payment processing. In addition, the decrease in operating expenses was primarily due to a decrease in expenditures of grants awarded for the year.

Conclusion

Kansas consistently ranks very high among states in the nation in the successful transition to e-government. In 2011, the state of Kansas earned an award as a top ten-finalist position from the Center of Digital Government for the annual Best of the Web competition for the state's internet home page. The INK board, in cooperation with state agencies and others, remains committed to creating a system of business and government as paperless as possible, and to make it ever easier for Kansans to use state of the art technology to pay their taxes, register their vehicles, and readily access other data to make their lives better. Financial and other information is readily available on our website www.Kansas.gov or in our office. We welcome attendance to our board meetings, public notice of which is given in accordance with state law.

Requests for Information

This financial report is designed to provide a general overview of INK's finances for all those with an interest in INK's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the INK Executive Director.

INFORMATION NETWORK OF KANSAS, INC.
(A COMPONENT UNIT OF THE STATE OF KANSAS)

BALANCE SHEETS

December 31, 2011 and 2010

	2011	2010
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 2,456,922	\$ 2,694,003
Accounts receivable	2,201,121	1,735,021
Prepaid expenses	57,314	4,079
Total current assets	4,715,357	4,433,103
Capital assets:		
Equipment	13,832	11,791
Less accumulated depreciation	11,910	11,791
	1,922	-
Total assets	\$ 4,717,279	\$ 4,433,103
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,928,498	\$ 2,672,637
Net assets:		
Invested in capital assets	1,922	-
Unrestricted	1,786,859	1,760,466
	1,788,781	1,760,466
Total liabilities and net assets	\$ 4,717,279	\$ 4,433,103

See accompanying notes to the basic financial statements.

INFORMATION NETWORK OF KANSAS, INC.
(A COMPONENT UNIT OF THE STATE OF KANSAS)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Years Ended December 31, 2011 and 2010

	2011	2010
Operating revenues:		
Agency fee receipts	\$ 324,095,072	\$ 244,917,256
Less payments to data providing entities	318,794,179	239,882,351
Less network manager share of network revenue	4,463,739	4,251,015
Total operating revenues	837,154	783,890
Operating expenses:		
Program development	513,217	368,173
Salary and benefits	136,694	132,985
Telephone	1,717	1,839
Printing and advertising	14,977	31,471
Travel	1,074	743
Contract office services and space	16,025	25,433
Professional and consulting contracts	91,942	177,336
Program maintenance contract	54,000	46,466
Dues and sponsorships	605	604
Hospitality and meetings	423	1,396
Office supplies and other	860	347
Depreciation	119	515
Total operating expenses	831,653	787,308
Operating gain/(loss)	5,501	(3,418)
Non-operating revenue:		
Interest income	22,814	28,592
Change in net assets	28,315	25,174
Net assets, beginning of year	1,760,466	1,735,292
Net assets, end of year	\$ 1,788,781	\$ 1,760,466

See accompanying notes to the basic financial statements.

INFORMATION NETWORK OF KANSAS, INC.
(A COMPONENT UNIT OF THE STATE OF KANSAS)

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Receipts of agency fees from customers	\$ 323,628,972	\$ 245,192,984
Payments to data providing entities for share of agency fees	(318,836,111)	(239,894,678)
Payments to network manager for share of network revenue	(4,366,848)	(4,657,684)
Payments for supplies, grants and other services	(544,596)	(308,938)
Payments to or on behalf of employees	(139,271)	(130,408)
	(257,854)	201,276
Net cash provided by (used in) operating activities	(257,854)	201,276
Cash flows from investing activities:		
Interest received	22,814	28,592
Cash flows from capital and related financing activities:		
Purchase of equipment	(2,041)	-
Net increase (decrease) in cash and cash equivalents	(237,081)	229,868
Cash and cash equivalents, beginning of year	2,694,003	2,464,135
Cash and cash equivalents, end of year	\$ 2,456,922	\$ 2,694,003
Reconciliation of operating gain/(loss) to net cash provided by (used in) operating activities:		
Operating gain/(loss)	\$ 5,501	\$ (3,418)
Adjustments to reconcile operating gain/(loss) to net cash provided by (used in) operating activities:		
Depreciation	119	515
Changes in operating assets and liabilities:		
Accounts receivable	(466,100)	275,728
Prepaid expenses	(53,235)	58,285
Accounts payable and accrued expenses	255,861	(129,834)
Net cash provided by (used in) operating activities	\$ (257,854)	\$ 201,276

See accompanying notes to the basic financial statements.

INFORMATION NETWORK OF KANSAS, INC.
(A COMPONENT UNIT OF THE STATE OF KANSAS)

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2011

1 - Organization and Summary of Significant Accounting Policies

Reporting Entity

The Information Network of Kansas, Inc. (INK) was created in 1990 by the State of Kansas legislature to provide electronic access for members of the public to public information of agencies by means of a centralized electronic information system, to develop and expand the system and to provide oversight of the network manager. INK is governed by a ten-member Board of Directors with membership on the board established by statute. INK is a component unit of the State of Kansas.

Basis of Presentation

INK is accounted for as an 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. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed by INK to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. INK has elected not to follow subsequent private-sector guidance.

Basis of Accounting

The financial statements of INK have been prepared in conformity with accounting principles generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred. With the economic resources measurement focus, all assets and all liabilities are included on the balance sheet. The statement of revenues, expenses and changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how INK meets the cash flow needs of its activities.

INFORMATION NETWORK OF KANSAS, INC.
(A COMPONENT UNIT OF THE STATE OF KANSAS)

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

INK distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services in connection with INK's principal ongoing operations. Operating revenues include revenue from providing network services, net of transaction fees due to data providing entities when services are provided. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash Equivalents

For purposes of the statement of cash flows, INK considers all highly liquid investments with an original maturity of less than three months to be cash equivalents.

Accounts Receivable

Accounts receivable represent amounts to be collected from network users under the terms of a contract with INK's network manager. INK considers the amounts to be fully collectible and, accordingly, no allowance for doubtful accounts is necessary.

Capital Assets

Capital assets, which include equipment, are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Depreciation is computed on the straight-line basis using estimated useful lives of three to seven years.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 estimates.

INFORMATION NETWORK OF KANSAS, INC.
(A COMPONENT UNIT OF THE STATE OF KANSAS)

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Cash

Kansas statutes provide for all moneys received by INK to be deposited in the State Treasury or maintained in interest bearing accounts in Kansas banks or Kansas savings and loan associations until expended or otherwise disposed of pursuant to statute.

Custodial credit risk is the risk that in the event of a bank failure INK's deposits may not be returned to it. Kansas statutes require that deposits be collateralized, and that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts, and must be assigned for the benefit of INK. At December 31, 2011 and 2010, INK's deposits were not exposed to custodial credit risk.

3 - Network Manager Agreement

INK has contracted with Kansas Information Consortium, Inc. (KIC) to serve as INK's network manager to develop, operate, maintain and expand the network for electronic access to public information. The terms of the contract which expires on December 31, 2012 with renewal options for two additional two-year periods, provide that KIC on behalf of INK will negotiate and obtain contracts with state agencies for electronic access and subscribers for services. The terms of the contract provide for KIC to receive 85 percent of the gross network revenue net of the data providing entities' share of network revenues.

In addition, the terms of the contract provide that upon termination of the contract all network and manager records, work papers and operations documentation shall become the property of INK and that application software, documentation and source codes and related updates and revisions are considered during the life of the contract and perpetually thereafter, to be licensed for use to the state of Kansas through INK or any successor to be used in operation and expansion of the network or any successor network.

4 - Related Parties

During 2010, Kansas statutes provided that the president of Kansas, Inc. be a board member of INK. Also under Kansas statutes, Kansas, Inc. was to provide INK with requested staff and other assistance and to bill the actual cost for such assistance to INK. Kansas, Inc. provided office space and office administrative services to INK and billed INK \$ 25,433 for the year ended December 31, 2010. The Executive Director's compensation and benefits were paid by Kansas, Inc. and reimbursed by INK during fiscal year 2010.

INFORMATION NETWORK OF KANSAS, INC.
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NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4 - Related Parties (Continued)

As of June 30, 2011, Kansas, Inc. was unfunded and the entity dissolved. INK signed a one-year lease on July 1, 2011 for office space and office administrative services at a rate of \$ 346 per month from the Kansas Association of Counties. INK makes biannual payments for rent to the Kansas Association of Counties for such costs. Rent paid was \$ 16,025 for the year ended December 31, 2011. The Service Center division of the Department of Administration in conjunction with the Human Resource Department performs the Executive Director's payroll administration. INK provides funds to the Service Center for salary and benefits on a quarterly basis.

Also, certain members of INK's Board of Directors, as provided for by statute, are employed as management with agencies for which INK has service contracts. These contracts are administered by KIC.

5 - Risk Management

INK is exposed to various risks of loss related to torts; that is, damage to and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage, purchased by KIC under which INK is listed as an additional insured, is for claims arising from such matters other than those related to employee health benefits. INK has not had claims in any of the three preceding years.