CHEROKEE COUNTY, KANSAS

Annual Financial Report

For the year ended December 31, 2013

MENSE, CHURCHWELL & MENSE, P.C.
Certified Public Accountants

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
• Title Page	
• Table of Contents	i-iii
FINANCIAL SECTION	
• Independent Auditor's Report	1-3
• Summary Statement of Receipts, Expenditures, and Unencumbered Cash	4-5
• Notes to the Financial Statements	6-18
REGULATORY – REQUIRED SUPPLEMENTARY INFORMATION	
• Summary of Expenditures – Actual and Budget (Schedule 1)	19
• Schedule of Receipts and Expenditures – Actual and Budget (Schedule 2)	
General Fund	20
Road and Bridge Fund	21
Appraisal Fund	22
Health Fund	23
Election Fund	24
Noxious Weed Fund	25
Extension Council Fund	26
Soil Conservation Fund	27
Fair Fund	28
Ambulance Fund	29
Elderly Services Fund	30
Mental Health Fund	31
Mental Retardation Fund	32
Employee Benefits Fund	33
Out-District Tuition Fund	34
Special Parks and Recreation Fund	35
Special Alcohol Fund	36
Landfill Fund	37
Tourism and Convention Promotion Fund	38
Special Law Enforcement Training Fund	39
Equipment Reserve Fund	40
Emergency Telephone Tax Fund	41

TABLE OF CONTENTS
(CONTINUED)

	Page
County Attorney Special Law Enforcement Fund	42
Register of Deeds Technology Fund	43
State Line Road Project Fund	44
Drug Tax Stamp Fund	45
Special Liability Fund	46
County Building Fund	47
Special Bridge Fund	48
Special Highway Improvement Fund	49
Special Road Machinery Fund	50
Law Library Fund	51
Electronic Monitoring Fund	52
Bad Check Fee Fund	53
Drug Free Grant Fund	54
Prosecuting Attorney Training Fund	55
Severe Weather Equipment Fund	56
Spider Program Fund	57
Attorney Application Fee Fund	58
Justice Assistance Grant Fund	59
EMPG Emergency Preparedness Fund	60
Emergency Planning Grant Fund	61
COPS Grant Fund	62
NSP Grant Fund	63
No-Fund Warrant Fund	64
Debt Service Fund	65
Sewer District No. 1 Fund	66
• Statement of Receipts and Disbursements – Agency Funds (Schedule 3)	67-68

TABLE OF CONTENTS
(CONTINUED)

	Page
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*	69-70
Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required By OMB Circular A-133	71-73
Schedule of Expenditures of Federal Awards	74-76
Notes to the Schedule of Expenditures of Federal Awards	77
Schedule of Findings and Questioned Costs	78-84
Summary Schedule of Prior Audit Findings	85
Corrective Action Plan	86

MENSE, CHURCHWELL & MENSE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
427 Wall Street, P.O. Box 818
Joplin, Missouri 64802-0818
Telephone 417-623-2505
Fax 417-623-2507

EUGENE M. MENSE, JR., C.P.A. (1929 - 2006)
CHRIS D. CHURCHWELL, C.P.A.
EUGENE M. MENSE III, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the County Commission
of Cherokee County, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Cherokee County, Kansas, as of and for the year ended December 31, 2013 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by Cherokee County, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Cherokee County, Kansas as of December 31, 2013, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of Cherokee County, Kansas as of December 31, 2013, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures – actual and budget, individual fund schedules of regulatory basis receipts and expenditures – actual and budget, agency funds schedule of receipts and disbursements (Schedules 1, 2 and 3 as listed in the table of contents) and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statement, however, Schedules 1, 2 and 3 are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling

such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2014 on our consideration of Cherokee County, Kansas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cherokee County, Kansas's internal control over financial reporting and compliance.

MENSE, CHURCHWELL & MENSE, P.C.
Certified Public Accountants

Joplin, Missouri
October 29, 2014

CHEROKEE COUNTY, KANSAS
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2013

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Funds:							
General	$ 779,107	$ -	$ 8,937,747	$ 7,872,546	$ 1,844,308	$ 117,972	$ 1,962,280
Special Purpose Funds:							
Road and Bridge	365,947	-	4,445,579	4,355,902	455,624	98,270	553,894
Appraisal	39,032	-	315,587	313,122	41,497	27,368	68,865
Health	1,203,303	-	700,226	743,455	1,160,074	2,819	1,162,893
Election	106,153	-	25,103	94,842	36,414	1,716	38,130
Noxious Weed	63,291	-	53,543	45,563	71,271	421	71,692
Extension Council	18,145	-	200,999	200,615	18,529	-	18,529
Soil Conservation	2,206	-	25,015	25,000	2,221	-	2,221
Fair	287	-	26	-	313	-	313
Ambulance	54,831	-	781,946	746,100	90,677	-	90,677
Elderly Services	31,469	-	17,321	18,009	30,781	884	31,665
Mental Health	9,865	-	111,724	111,457	10,132	-	10,132
Mental Retardation	9,835	-	111,867	111,457	10,245	-	10,245
Employee Benefits	38,171	-	3,465,526	3,009,805	493,892	1,487	495,379
Out-District Tuition Fund	1,956	-	8	-	1,964	-	1,964
Special Parks and Recreation	3,728	-	4,428	15,180	(7,024)	-	(7,024)
Special Alcohol	5,091	-	11,123	5,091	11,123	-	11,123
Landfill	13,743	-	-	5,307	8,436	-	8,436
Tourism and Convention Promotion	800	-	7,422	7,422	800	-	800
Special Law Enforcement Training	15,774	-	21,035	2,025	34,784	-	34,784
Equipment Reserve	-	-	1,291,433	-	1,291,433	-	1,291,433
Emergency Telephone Tax	290,535	-	120,087	81,299	329,323	2,520	331,843
County Attorney Special Law Enforcement	629	-	-	-	629	-	629
Register of Deeds Technology Fund	28,732	-	23,655	26,893	25,494	-	25,494
State Line Road Project	260	-	1	-	261	-	261
Drug Tax Stamp	1,253	-	-	-	1,253	-	1,253
Special Liability	16,879	-	5	-	16,884	-	16,884
County Building	921	-	11	-	932	-	932
Special Bridge	225,827	-	161,569	40,983	346,413	-	346,413
Special Highway Improvement	1,264	-	-	-	1,264	-	1,264
Special Road Machinery	100	-	-	-	100	-	100
Law Library	42,085	-	12,167	19,766	34,486	-	34,486

CHEROKEE COUNTY, KANSAS
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2013

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Special Purpose Funds (Continued)							
Electronic Monitoring	$ 910	$ -	$ -	$ -	$ 910	$ -	$ 910
Bad Check Fee	89	-	-	-	89	-	89
Drug Free Grant	4,539	-	-	-	4,539	-	4,539
Prosecuting Attorney Training	2,223	-	1,999	1,098	3,124	-	3,124
Severe Weather Equipment	22	-	-	-	22	-	22
Spider Program	8,220	-	6,340	5,702	8,858	-	8,858
Attorney Application Fee	-	-	2,320	-	2,320	-	2,320
Justice Assistant Grant	391	-	-	391	-	-	-
EMPG Emergency Preparedness	500	-	-	-	500	-	500
Emergency Planning Grant	201	-	-	-	201	-	201
COPS Grant	9,897	-	-	-	9,897	-	9,897
NSP Grant	583	-	40,000	38,688	1,895	-	1,895
No Fund Warrant	8,076	-	5,525	13,601	-	-	-
Bond and Interest Funds:							
Debt Service	1,341	-	-	-	1,341	-	1,341
	$ 3,408,211	$ -	$ 20,901,337	$ 17,911,319	$ 6,398,229	$ 253,457	$ 6,651,686
Related Municipal Entity:							
Sewer District No. 1	(16,110)	-	380,248	260,971	103,167	2,672	105,839
Total Reporting Entity (Excluding Agency Funds)	$ 3,392,101	$ -	$ 21,281,585	$ 18,172,290	$ 6,501,396	$ 256,129	$ 6,757,525

Composition of Cash:

Cash on Hand	$ 898
Checking Accounts	13,035,984
Savings Accounts	7,538
Certificates of Deposit	1,290,000
Investments	500,000
Total Cash	$ 14,834,420
Agency Funds (Schedule 3)	(8,076,895)
Total Reporting Entity(Excluding Agency Funds)	$ 6,757,525

The notes to the financial statements are an integral part of this statement.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I.A. MUNICIPAL FINANCIAL REPORTING ENTITY

Cherokee County, Kansas (the "County") is a municipal corporation governed by an elected three member commission. This regulatory financial statement presents Cherokee County (the municipality) and its related municipal entities. The related entities are included in the County's reporting entity because they were established to benefit the County and/or its constituents.

1. **Sewer District No. 1.** The District is a separate entity created by state statutes. The governing body of Cherokee County, which created the district, also serves as the districts' governing body.

I.B. REGULATORY BASIS FUND TYPES

The accounts of the County are organized into funds each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts. The following funds are used by the County:

General Fund – the main operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Funds – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Debt Service Fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital Project Fund – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business Fund – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund etc.)

Trust Fund – funds used to report assets held in trust for the benefits of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I.B. REGULATORY BASIS FUND TYPES (CONTINUED)

Agency Fund – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.)

I.C. BASIS OF ACCOUNTING

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in a regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows, other than those mentioned above.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

I.D. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business 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 budget for the succeeding calendar year on or before August 1st.

2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.

3 Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.

4. Adoption of the final budget on or before August 25th.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I.D. BUDGETARY INFORMATION (CONTINUED)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts 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.

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 regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for capital projects funds, trust funds, federal and state grants, permanent funds, and the following special purpose funds:

County Building Fund
Special Bridge Fund
Special Liability Fund
Special Highway Improvement Fund
Special Machinery Fund
Recorder of Deeds Technology Fund

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

I.E. ASSETS AND LIABILITIES

I.E.1. Cash and Investments

The County Treasurer pools cash and investments of various funds to facilitate management. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating needs. Cash in excess of current needs in invested in time deposits. Additional cash and investments are presented in Note III.A.

I.E.2. Compensated Absences

The County's policy regarding vacation and sick pay provide employees a maximum of four weeks vacation after 12 years of employment and sick leave accumulation at one day per month with an unlimited accumulation. Employees are paid for all unused vacation days at December 31st. No vacation days are carried forward. Sick leave is carried forward at a maximum of 720 hours at December 31st. The Employee is paid for their sick leave in excess of 720 hours at December 31st. Employees are paid for ½ of their sick leave upon termination if they retire if certain requirements are met. The total hours of sick leave accumulated at December 31, 2013 were 26,851. No estimate of the value was available.

I.F. RECEIPTS AND EXPENDITURES

I.F.1. Sales Tax

Cherokee County levies a one and one-half percent (1 ½%) sales tax on taxable sales within the County. The tax is collected by the Kansas Department of Revenue and remitted to the County. The tax is placed in the general fund to provide County services. One-half percent (1/2%) or one-third (1/3) of the sales tax collected is restricted and is to be used to retire the debt incurred to construct and furnish a law enforcement and detention facility.

I.F.2. Property Tax

Property taxes are an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable one-half on December 20th and one-half on May 10th the ensuing year. Unpaid taxes become delinquent after the due dates.

The assessed valuation of tangible property for the calendar year 2013 for purposes of taxation was $144,638,391.

The tax levy per $100.00 of assessed valuation of tangible property for the calendar year was $4.78. The levy is composed of the sum of the legal tax levies for all funds with authorized levies.

I.F. RECEIPTS AND EXPENDITURES (CONTINUED)

I.F.2. Property Tax (Continued)

The County bills and collects its own property taxes. Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state Statutes.

It is not practicable to apportion taxes held by the County Treasurer at the end of the audit period and, further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

I.F.3. Payments by Other Governments

The State of Kansas makes payments directly to the judges and employees of the circuit courts in Cherokee County for salaries and fringe benefits. Cherokee County is not liable for these payments. The total amount of these on-behalf payments was not available and is unable to be estimated.

I.F.4. Reimbursements

Cherokee County, Kansas records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures are properly offset by the reimbursements.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

II.A. COMPLIANCE WITH STATE STATUTES

Funds were not disbursed as provided for in state statutes in order to earn discounts and avoid penalties. (KSA 12-105a, 12-105b, 10-801 et seq)

The County does not maintain records of each fund's indebtedness. (KSA 10-1117)

Records are not maintained showing budget balance available for appropriation. (KSA 79-2934)

The County does not have custodial agreements and security agreements for all depositories. (KSA 9-1405)

The General, Road and Bridge, Special Parks and Recreation, and No-Fund Warrant Fund expenditures exceeded the budget. (KSA 79-2935)

Deposits with statutorily authorized financial institutions were not adequately secured. (KSA 9-1402 and 9-1405)

Warrants/checks outstanding for two years or more have not been cancelled and restored to the fund originally charged. (KSA 10-815)

The Special Parks and Recreation funds incurred a deficit cash balance. (KSA 10-1113 and 10-1121)

III. DETAILED NOTES ON FUNDS AND ACCOUNTS

III. A. Deposits and Investments

As of December 31, 2013, the County had the following investments and maturities.

Investment Type	Fair Value	Cost
Financial Square Trust Treasury Obligation Fund Admin CL 469 (Mutual Fund) (Rating - Not Applicable)	$ 500,000	$ 500,000

K.S.A. 9-1401 establishes the depositories which may be used by the County. The statute requires banks eligible to hold the County's funds have a main or branch bank in the county in which the municipality 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 County has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the County'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 County has no investment policy that would further limit its investment choices. The rating of the County's investments is noted above.

Concentration of Credit Risk - State statues place no limit on the amount the County 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 County's deposits may not be returned to it. State statutes require the County's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under 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 County has not designated "peak periods". All deposits were legally secured at December 31, 2013.

III. DETAILED NOTES ON FUNDS AND ACCOUNTS (CONTINUED)

III. A. Deposits and Investments (Continued)

At December 31, 2013, the County's carrying amount of deposits was $14,333,522 and the bank balance was $14,488,219. Ninety percent of the bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $945,097 was covered by federal depository insurance and $13,543,122 was covered by securities pledged by the financial institutions and held by the financial institution's agents.

Custodial Credit Risk – Investments – For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the County 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 above investments are made by and held by the Commerce Trust Company, N.A., Kansas City, Missouri, trustee for the Series 2005 Refunding Certificates of Participation.

III. A.I. Restricted Assets

The following amounts recorded in the following funds were restricted as follows at December 31, 2013:

General Fund -	
Series 2005 Refunding Certificates of Participation -	
Reserve Account	$ 500,000
Total	$ 500,000

IV. LONG-TERM DEBT

Changes in long-term debt for Cherokee County for the year ended December 31, 2013, were as follows:

Issue	Amount of Issue	Interest Rates	Date of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions / Payments	Balance End of Year
Capital Leases								
John Deere Tractors	462,851	3.55%	7-01-2011	8-01-2018	$ 351,788	$ -	$ 351,788	$ -
Elevator	100,000	4.00%	7-18-2011	7-18-2016	81,566	-	81,566	-
Road Graders	1,644,800	4.40%	6-05-2007	6-05-2013	866,268	-	866,268	-
Storm Sirens	63,511	2.98%	2-07-2012	1-07-2015	44,601	-	44,601	-
Certificates of Participation								
Series 2005	7,150,000	2.55/5.00%	4-01-2005	11-15-2021	4,455,000	-	415,000	4,040,000
Totals					$ 5,799,223	$ -	$ 1,759,223	$4,040,000

IV. LONG-TERM DEBT (CONTINUED)

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	Year						
Principal	2014	2015	2016	2017	2018	2019-2021	Total
Certificates of Participation	$ 430,000	$ 445,000	$ 465,000	$ 485,000	$ 510,000	$ 1,705,000	$ 4,040,000
Total Principal	$ 430,000	$ 445,000	$ 465,000	$ 485,000	$ 510,000	$ 1,705,000	$ 4,040,000
Interest							
Certificates of Participation	$ 184,290	$ 167,520	$ 149,943	$ 130,877	$ 110,750	$ 174,250	$ 917,630
Total Interest	$ 184,290	$ 167,520	$ 149,943	$ 130,877	$ 110,750	$ 174,250	$ 917,630
Total Principal and Interest	$ 614,290	$ 612,520	$ 614,943	$ 615,877	$ 620,750	$ 1,879,250	$ 4,957,630

V. TRANSFERS

Fund	From	To
General	$ 2,525,004	$ 13,601
No-Fund Warrant	13,601	-
Equipment Reserve	-	1,291,433
Road and Bridge	-	1,233,571

Transfers were made from the General Fund to Road and Bridge Fund to transfer a portion of the countywide retail sales tax (K.S.A. 12-196) and transfer to Equipment Reserve Fund (K.S.A. 19-119). Transfer from No-Fund Warrant Fund to General Fund to close a tax levy fund. (K.S.A. 79-2958).

VI. PENSION PLAN

Plan description

The County participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-419 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The employer rate established by statutes for calendar year 2013 is 8.94%. For municipalities that hire a KPERS retiree from a different KPERS employer, the employer rate is 13.43% for the period of January 1, 2013 to December 31, 2013 and the waiting period is 60 days. Included in this rate is the contribution for Group Death and Disability Insurance of 1.0%.

VI. PENSION PLAN (CONTINUED)

Funding Policy (Continued)

From April 1, 2013 through June 30, 2013 there was a moratorium on the collection of the premium of 1.0% of the Group Death and Disability Insurance rate. Beginning July 1, 2013 through June 30, 2015 the Group Death and Disability Insurance rate is .85%. Cherokee County, Kansas employer contributions to KPERS for the years ending December 31, 2011, 2012 and 2013 were $324,307, $347,214, and $374,897, respectively, equal to the required contributions for each year as set forth by the legislature.

VII. RISK MANAGEMENT

Cherokee County, Kansas 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. The County has been unable to obtain general liability insurance at a cost it considered to be economically justifiable. For this reason, the County joined together with other counties in the state to participate in the Kansas County Association Multi-Line Pool (KCAMP) and the Kansas Workers' Risk Cooperative for Counties (KWORC), public entity risk pools currently operating as common risk management and insurance programs for participating members.

The County pays an annual premium to KCAMP for its general insurance coverage. The agreement for formation of the Kansas County Association Multi-Line Pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of stated amounts for each insured event. The County also participates in the Kansas Workers' Risk Cooperative for Counties (KWORC), a public entity risk pool which generates as a common risk management and insurance program for members. The County pays an annual premium to KWORC for workers' compensation coverage. Additional premiums maybe due if total claims for the pools are different than what have been anticipated by KCAMP and KWORC management.

The County continues to carry commercial insurance for all other risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

VIII. OTHER POST EMPLOYMENT BENEFITS

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

Under the Consolidated Omnibus Reconciliation Act (COBRA), the County makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

IX. LITIGATION

The County is party to various legal proceedings which normally occur in governmental operations. While the outcome of such proceedings cannot be predicted, due to insurance maintained by the County, the County feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the County.

X. GRANT PROGRAM INVOLVEMENT

In the normal course of operations, the County participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

XI. SUBSEQUENT EVENTS

The County has evaluated events subsequent to December 31, 2013 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through Xxxxxxx, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

Schedule 1

CHEROKEE COUNTY, KANSAS
Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance-Over (Under)
General Funds:					
General	$ 7,709,531	$ 74,651	$ 7,784,182	$ 7,872,546	$ 88,364
Special Purpose Funds					
Road and Bridge	4,238,835	-	4,238,835	4,355,902	117,067
Appraisal	330,000	-	330,000	313,122	(16,878)
Health	953,845	-	953,845	743,455	(210,390)
Election	100,000	-	100,000	94,842	(5,158)
Noxious Weed	63,516	-	63,516	45,563	(17,953)
Extension Council	200,615	-	200,615	200,615	-
Conservation District	25,000	-	25,000	25,000	-
Fair	150	-	150	-	(150)
Ambulance	571,584	209,516	781,100	746,100	(35,000)
Elderly Services	30,000	-	30,000	18,009	(11,991)
Mental Health	111,457	-	111,457	111,457	-
Mental Retardation	111,457	-	111,457	111,457	-
Employee Benefits	3,377,142	-	3,377,142	3,009,805	(367,337)
Special Parks and Recreation	12,791	-	12,791	15,180	2,389
Special Alcohol	12,020	-	12,020	5,091	(6,929)
Landfill	9,323	-	9,323	5,307	(4,016)
Tourism and Promotion	10,800	-	10,800	7,422	(3,378)
Special Law Enforcement Training	12,047	-	12,047	2,025	(10,022)
Emergency Telephone Tax	420,000	-	420,000	81,299	(338,701)
County Attorney Special Law Enforcement	884	-	884	-	(884)
Prosecuting Attorney Training Fund	4,460	-	4,460	1,098	(3,362)
No-Fund Warrant	7,960	-	7,960	13,601	5,641
Bond and Interest Funds:					
Debt Service	-	-	-	-	-
Related Municipal Entity					
Sewer District No. 1	113,642	284,469	398,111	260,971	(137,140)

Schedule 2-A

CHEROKEE COUNTY, KANSAS
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Taxes and Shared Receipts:			
Ad Valorem Property Tax	$ 1,236,236	$ 1,301,797	$ (65,561)
Delinquent Tax	44,167	52,000	(7,833)
Motor Vehicle Tax	243,143	165,337	77,806
16/20 M. Vehicle Tax	11,676	9,036	2,640
Recreational Vehicle Tax	2,952	2,446	506
Sales Tas	1,968,130	1,987,300	(19,170)
Charges for Services	100,930	-	100,930
Local Alcoholic Liquor Fund	4,428	4,007	421
Licenses, Permits and Fees	327,614	280,550	47,064
Interest	120,697	128,000	(7,303)
Inmate Housing	320,794	250,500	70,294
Grants	74,651	-	74,651
Other	4,462,628	75,000	4,387,628
Rents	6,100	6,000	100
Operating Transfers	13,601	4,389,200	(4,375,599)
Total Receipts	$ 8,937,747	$ 8,651,173	$ 286,574
Expenditures			
Commission	$ 95,198	$ 88,687	$ 6,511
County Counselor	27,552	31,016	(3,464)
Clerk	120,031	123,000	(2,969)
Treasurer	142,694	134,000	8,694
Attorney	219,013	232,622	(13,609)
Register of Deeds	86,554	90,719	(4,165)
Sheriff	1,305,023	1,021,628	283,395
Sheriff Overtime	325	-	325
District Court	233,446	266,800	(33,354)
Courthouse	953,035	991,135	(38,100)
Emergency Preparedness	93,837	66,443	27,394
Human Resources	37,522	41,070	(3,548)
Economic Development	39,331	25,000	14,331
Planning Commission	-	10,000	(10,000)
Recreation	8,245	11,000	(2,755)
Jail	940,164	874,582	65,582
Data Processing	56,019	40,709	15,310
Jury Costs	2,827	9,693	(6,866)
Juvenile Detention	78,911	78,039	872
Genealogy Society	8,000	8,000	-
Emergency 911	52,951	62,502	(9,551)
Other	1,252	1,000	252
Capital Lease Payments on Jail	-	-	
Certificates of Participation	618,060	618,060	-
GIS Programming	13,310	29,078	(15,768)
Employee Benefits	89,363	69,369	19,994
Jail Sales Tax Reserve	-	131,811	(131,811)
Operating Transfers	2,525,004	2,525,004	-
Capital Lease	124,879	128,564	(3,685)
Adjustment for Qualifying Budget Credits	-	74,651	(74,651)
Total Expenditures	$ 7,872,546	$ 7,784,182	$ 88,364
Receipts Over (Under) Expenditures	$ 1,065,201		
Unencumbered Cash, Beginning	779,107		
Unencumbered Cash, Ending	$ 1,844,308		

CHEROKEE COUNTY, KANSAS

Road & Bridge
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Taxes and Shared Receipts:			
Ad Valorem Property Tax	$ 2,027,533	$ 2,135,149	$ (107,616)
Delinquent Tax	63,092	7,500	55,592
Motor Vehicle Tax	313,551	261,967	51,584
16/20 M. Vehicle Tax	8,515	14,475	(5,960)
Recreational Vehicle Tax	3,946	3,872	74
Special Highway Aid and County Equalization	787,809	782,065	5,744
Operating Transfers	1,233,571	1,233,571	-
Interest and Other	7,562	7,199	363
Total Receipts	$ 4,445,579	$ 4,445,798	$ (219)
Expenditures			
Public works	$ 4,355,902	$ 4,238,835	$ 117,067
Receipts Over (Under) Expenditures	$ 89,677		
Unencumbered Cash, Beginning	365,947		
Unencumbered Cash, Ending	$ 455,624		

CHEROKEE COUNTY, KANSAS
Appriasal Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Taxes and Shared Receipts:			
Ad Valorem Property Tax	$ 265,318	$ 256,324	$ 8,994
Delinquent Tax	7,876	10,000	(2,124)
Motor Vehicle Tax	36,663	26,052	10,611
16/20 M. Vehicle Tax	1,615	1,439	176
Recreational Vehicle Tax	448	385	63
Fees	3,667	4,500	(833)
Total Receipts	$ 315,587	$ 298,700	$ 16,887
Expenditures			
General Government	$ 313,122	$ 330,000	$ (16,878)
Receipts Over (Under) Expenditures	$ 2,465		
Unencumbered Cash, Beginning	39,032		
Unencumbered Cash, Ending	$ 41,497		

CHEROKEE COUNTY, KANSAS
Health Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Taxes and Shared Receipts:			
Ad Valorem Property Tax	$ 171,647	$ 165,878	$ 5,769
Delinquent Tax	4,822	6,500	(1,678)
Motor Vehicle Tax	22,278	16,329	5,949
16/20 M. Vehicle Tax	913	902	11
Recreational Vehicle Tax	274	241	33
Charges for Services	46,526	140,000	(93,474)
Grants	453,766	-	453,766
Total Receipts	$ 700,226	$ 329,850	$ 370,376
Expenditures			
Health	$ 743,455	$ 953,845	$ (210,390)
Total Expenditures	$ 743,455	$ 953,845	$ (210,390)
Receipts Over (Under) Expenditures	$ (43,229)		
Unencumbered Cash, Beginning	1,203,303		
Unencumbered Cash, Ending	$ 1,160,074		

Schedule 2-E

CHEROKEE COUNTY, KANSAS
Election Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Taxes and Shared Receipts:			
Ad Valorem Property Tax	$ 3,116	$ 3,025	$ 91
Delinquent Tax	3,150	300	2,850
Motor Vehicle Tax	17,743	14,439	3,304
16/20 M. Vehicle Tax	535	798	(263)
Recreational Vehicle Tax	222	213	9
Other	337	-	337
Total Receipts	$ 25,103	$ 18,775	$ 6,328
Expenditures			
General Government	$ 94,842	$ 100,000	$ (5,158)
Total Expenditures	$ 94,842	$ 100,000	$ (5,158)
Receipts Over (Under) Expenditures	$ (69,739)		
Unencumbered Cash, Beginning	106,153		
Unencumbered Cash, Ending	$ 36,414		

CHEROKEE COUNTY, KANSAS
Noxious Weed Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Taxes and Shared Receipts:			
Ad Valorem Property Tax	$ 35,512	$ 34,367	$ 1,145
Delinquent Tax	1,074	2,000	(926)
Motor Vehicle Tax	4,131	1,900	2,231
16/20 M. Vehicle Tax	324	105	219
Recreational Vehicle Tax	48	25	23
Other	12,454	-	12,454
Total Receipts	$ 53,543	$ 38,397	$ 15,146
Expenditures			
Public Works	$ 45,563	$ 63,516	$ (17,953)
Receipts Over (Under) Expenditures	$ 7,980		
Unencumbered Cash, Beginning	63,291		
Unencumbered Cash, Ending	$ 71,271		

CHEROKEE COUNTY, KANSAS
Extension Council Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Taxes and Shared Receipts:			
Ad Valorem Property Tax	$ 168,574	$ 162,812	$ 5,762
Delinquent Tax	5,328	6,700	(1,372)
Motor Vehicle Tax	25,650	18,194	7,456
16/20 M. Vehicle Tax	1,134	1,005	129
Recreational Vehicle Tax	313	269	44
Total Receipts	$ 200,999	$ 188,980	$ 12,019
Expenditures			
Appropriations to Extension Council Treasurer	$ 200,615	$ 200,615	$ -
Receipts Over (Under) Expenditures	$ 384		
Unencumbered Cash, Beginning	18,145		
Unencumbered Cash, Ending	$ 18,529		

CHEROKEE COUNTY, KANSAS
Soil Conservation Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Taxes and Shared Receipts:			
Ad Valorem Property Tax	$ 20,904	$ 20,242	$ 662
Delinquent Tax	673	850	(177)
Motor Vehicle Tax	3,258	2,346	912
16/20 M. Vehicle Tax	140	130	10
Recreational Vehicle Tax	40	35	5
Total Receipts	$ 25,015	$ 23,603	$ 1,412
Expenditures			
Appropriation to Conservation District Treasurer	$ 25,000	$ 25,000	$ -
Receipts Over (Under) Expenditures	$ 15		
Unencumbered Cash, Beginning	2,206		
Unencumbered Cash, Ending	$ 2,221		

Schedule 2-I

CHEROKEE COUNTY, KANSAS
Fair Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Taxes and Shared Receipts:	$ -	$ -	$ -
Ad Valorem Property Tax	26	150	(124)
Delinquent Tax	-	-	-
Motor Vehicle Tax	-	-	-
16/20 M. Vehicle Tax	-	-	-
Recreational Vehicle Tax			
Total Receipts	$ 26	$ 150	$ (124)
Expenditures			
Appropriation to Fair Treasurer	$ -	$ 150	$ -
Receipts Over (Under) Expenditures	$ 26		
Unencumbered Cash, Beginning	287		
Unencumbered Cash, Ending	$ 313		

CHEROKEE COUNTY, KANSAS
Ambulance Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Taxes and Shared Receipts:			
Ad Valorem Property Tax	$ 477,987	$ 461,759	$ 16,228
Delinquent Tax	15,399	18,000	(2,601)
Motor Vehicle Tax	75,008	54,698	20,310
16/20 M. Vehicle Tax	3,115	3,022	93
Recreational Vehicle Tax	921	808	113
Grants	172,479	-	172,479
Reimbursement	37,037	-	37,037
Total Receipts	$ 781,946	$ 538,287	$ 243,659
Expenditures			
Appropriation to Ambulance District Treasurers	$ 390,205	$ 571,584	$ (181,379)
Capital Outlay	340,895	-	340,895
Grant Administration	15,000	-	15,000
Adjustment for Qualifying Budget Credits	-	209,516	(209,516)
Total Expenditures	$ 746,100	$ 781,100	$ (35,000)
Receipts Over (Under) Expenditures	$ 35,846		
Unencumbered Cash, Beginning	54,831		
Unencumbered Cash, Ending	$ 90,677		

CHEROKEE COUNTY, KANSAS
Elderly Services Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Taxes and Shared Receipts:			
Ad Valorem Property Tax	$ 11,527	$ 11,184	$ 343
Delinquent Tax	800	700	100
Motor Vehicle Tax	4,713	3,210	1,503
16/20 M. Vehicle Tax	224	177	47
Recreational Vehicle Tax	57	47	10
Total Receipts	$ 17,321	$ 15,318	$ 2,003
Expenditures			
Elderly Programs	$ 18,009	$ 30,000	$ (11,991)
Receipts Over (Under) Expenditures	$ (688)		
Unencumbered Cash, Beginning	31,469		
Unencumbered Cash, Ending	$ 30,781		

CHEROKEE COUNTY, KANSAS
Mental Health Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Taxes and Shared Receipts:			
Ad Valorem Property Tax	$ 93,801	$ 90,558	$ 3,243
Delinquent Tax	2,951	3,800	(849)
Motor Vehicle Tax	14,182	10,140	4,042
16/20 M. Vehicle Tax	616	560	56
Recreational Vehicle Tax	174	150	24
Total Receipts	$ 111,724	$ 105,208	$ 6,516
Expenditures			
Public Health	$ 111,457	$ 111,457	$ -
Receipts Over (Under) Expenditures	$ 267		
Unencumbered Cash, Beginning	9,865		
Unencumbered Cash, Ending	$ 10,132		

CHEROKEE COUNTY, KANSAS
Mental Retardation Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Taxes and Shared Receipts:			
Ad Valorem Property Tax	$ 93,935	$ 90,727	$ 3,208
Delinquent Tax	2,952	3,700	(748)
Motor Vehicle Tax	14,191	10,163	4,028
16/20 M. Vehicle Tax	616	562	54
Recreational Vehicle Tax	173	150	23
Total Receipts	$ 111,867	$ 105,302	$ 6,565
Expenditures			
Public Health	$ 111,457	$ 111,457	$ -
Receipts Over (Under) Expenditures	$ 410		
Unencumbered Cash, Beginning	9,835		
Unencumbered Cash, Ending	$ 10,245		

CHEROKEE COUNTY, KANSAS
Employee Benefits Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Taxes and Shared Receipts:			
Ad Valorem Property Tax	$ 2,357,799	$ 2,277,924	$ 79,875
Delinquent Tax	64,835	76,000	(11,165)
Motor Vehicle Tax	305,930	215,150	90,780
16/20 M. Vehicle Tax	13,780	11,888	1,892
Recreational Vehicle Tax	3,734	3,180	554
Reimbursements and Other	719,448	793,000	(73,552)
Total Receipts	$ 3,465,526	$ 3,377,142	$ 88,384
Expenditures			
General Government	$ 3,009,805	$ 3,377,142	$ (367,337)
Total Expenditures	$ 3,009,805	$ 3,377,142	$ (367,337)
Receipts Over (Under) Expenditures	$ 455,721		
Unencumbered Cash, Beginning	38,171		
Unencumbered Cash, Ending	$ 493,892		

CHEROKEE COUNTY, KANSAS
Out-District Tuition Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Delinquent Tax	$ 8	$ -	$ 8
Total Receipts	$ 8	$ -	$ 8
Expenditures			
Education	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
Receipts Over (Under) Expenditures	$ 8		
Unencumbered Cash, Beginning	1,956		
Unencumbered Cash, Ending	$ 1,964		

CHEROKEE COUNTY, KANSAS
Special Parks and Recreation Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Local Alcoholic Liquor Fund	$ 4,428	$ 4,007	$ 421
Expenditures			
Recreation	$ 15,180	$ 12,791	$ 2,389
Receipts Over (Under) Expenditures	$ (10,752)		
Unencumbered Cash, Beginning	3,728		
Unencumbered Cash, Ending	$ (7,024)		

CHEROKEE COUNTY, KANSAS
Special Alcohol Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Local Alcoholic Liquor Fund	$ 11,123	$ 12,020	$ (897)
Expenditures			
Public Health	$ 5,091	$ 12,020	$ (6,929)
Receipts Over (Under) Expenditures	$ 6,032		
Unencumbered Cash, Beginning	5,091		
Unencumbered Cash, Ending	$ 11,123		

CHEROKEE COUNTY, KANSAS
Landfill Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Host Fees	$ -	$ -	$ -
Expenditures			
Sanitation	$ 5,307	$ 9,323	$ (4,016)
Total Expenditures	$ 5,307	$ 9,323	$ (4,016)
Receipts Over (Under) Expenditures	$ (5,307)		
Unencumbered Cash, Beginning	13,743		
Unencumbered Cash, Ending	$ 8,436		

CHEROKEE COUNTY, KANSAS
Tourism and Convention Promotion Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Transient Guest Tax	$ 7,422	$ 10,000	$ (2,578)
Expenditures			
Tourism and Promotion	$ 7,422	$ 10,800	$ (3,378)
Receipts Over (Under) Expenditures	$ -		
Unencumbered Cash, Beginning	800		
Unencumbered Cash, Ending	$ 800		

CHEROKEE COUNTY, KANSAS
Special Law Enforcement Training Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Fees	$ 21,035	$ 6,000	$ 15,035
Expenditures			
Public Safety	$ 2,025	$ 12,047	$ (10,022)
Receipts Over (Under) Expenditures	$ 19,010		
Unencumbered Cash, Beginning	15,774		
Unencumbered Cash, Ending	$ 34,784		

Schedule 2-U

CHEROKEE COUNTY, KANSAS
Equipment Reserve Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2013

	Actual
Receipts	
Operating Transfers	$ 1,291,433
Expenditures	
Equipment	$ -
Receipts Over (Under) Expenditures	$ 1,291,433
Unencumbered Cash, Beginning	-
Unencumbered Cash, Ending	$ 1,291,433

CHEROKEE COUNTY, KANSAS
Emergency Telephone Tax Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Telephone Tax	$ 119,533	$ 360,000	$ (240,467)
Interest	554	700	(146)
Total Receipts	$ 120,087	$ 360,700	$ (240,613)
Expenditures			
Public Safety	$ 81,299	$ 420,000	$ (338,701)
Receipts Over (Under) Expenditures	$ 38,788		
Unencumbered Cash, Beginning	290,535		
Unencumbered Cash, Ending	$ 329,323		

CHEROKEE COUNTY, KANSAS
County Attorney Special Law Enforcement Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Other	$ -	$ -	$ -
Expenditures			
Public Safety	$ -	$ 884	$ (884)
Receipts Over (Under) Expenditures	$ -		
Unencumbered Cash, Beginning	629		
Unencumbered Cash, Ending	$ 629		

Schedule 2-X

CHEROKEE COUNTY, KANSAS
Register of Deeds Technology Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2013

	Actual
Receipts	
Fees	$ 23,655
Expenditures	
General Government	$ 26,893
Receipts Over (Under) Expenditures	$ (3,238)
Unencumbered Cash, Beginning	28,732
Unencumbered Cash, Ending	$ 25,494

Schedule 2-Y

CHEROKEE COUNTY, KANSAS
State Line Road Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2013

	Actual
Receipts	
Interest	$ 1
Expenditures	
Public Works	$ -
Receipts Over (Under) Expenditures	$ 1
Unencumbered Cash, Beginning	260
Unencumbered Cash, Ending	$ 261

Schedule 2-Z

CHEROKEE COUNTY, KANSAS
Drug Tax Stamp Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2013

	Actual
Receipts	
Drug Control Payments	$ -
Expenditures	
Public Safety	$ -
Receipts Over (Under) Expenditures	$ -
Unencumbered Cash, Beginning	1,253
Unencumbered Cash, Ending	$ 1,253

Schedule 2-AA

CHEROKEE COUNTY, KANSAS
Special Liability Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2013

	Actual
Receipts	
Delinquent Tax	$ 5
Total Receipts	$ 5
Expenditures	
General Government	$ -
Receipts Over (Under) Expenditures	$ 5
Unencumbered Cash, Beginning	16,879
Unencumbered Cash, Ending	$ 16,884

Schedule 2-BB

CHEROKEE COUNTY, KANSAS
County Building Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2013

	Actual
Receipts	
Delinquent Tax	$ 11
Total Receipts	$ 11
Expenditures	
Public Works	$ -
Receipts Over (Under) Expenditures	$ 11
Unencumbered Cash, Beginning	921
Unencumbered Cash, Ending	$ 932

Schedule 2-CC

CHEROKEE COUNTY, KANSAS
Special Bridge Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2013

		Actual
Receipts		
Taxes and Shared Receipts:		
Ad Valorem Property Tax	$	133,465
Delinquent Tax		4,245
Motor Vehicle Tax		20,796
16/20 M. Vehicle Tax		842
Recreational Vehicle Tax		256
Other		1,965
Total Receipts	$	161,569
Expenditures		
Public Works	$	40,983
Receipts Over (Under) Expenditures	$	120,586
Unencumbered Cash, Beginning		225,827
Unencumbered Cash, Ending	$	346,413

Schedule 2-DD

CHEROKEE COUNTY, KANSAS
Special Highway Improvement Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2013

	Actual
Receipts	
Operating Transfers	$ -
Expenditures	
Public Works	$ -
Receipts Over (Under) Expenditures	$ -
Unencumbered Cash, Beginning	1,264
Unencumbered Cash, Ending	$ 1,264

Schedule 2-EE

CHEROKEE COUNTY, KANSAS
Special Road Machinery Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2013

	Actual
Receipts	
Operating Transfers	$ -
Expenditures	
Public Works	$ -
Receipts Over (Under) Expenditures	$ -
Unencumbered Cash, Beginning	100
Unencumbered Cash, Ending	$ 100

CHEROKEE COUNTY, KANSAS
Law Library Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2013

	Actual
Receipts	
Fees	$ 12,167
Expenditures	
Public Safety	$ 19,766
Receipts Over (Under) Expenditures	$ (7,599)
Unencumbered Cash, Beginning	42,085
Unencumbered Cash, Ending	$ 34,486

CHEROKEE COUNTY, KANSAS
Electronic Monitoring Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2013

	Actual
Receipts	
Grants	$ -
Expenditures	
Public Safety	$ -
Receipts Over (Under) Expenditures	$ -
Unencumbered Cash, Beginning	910
Unencumbered Cash, Ending	$ 910

Schedule 2-HH

CHEROKEE COUNTY, KANSAS
Bad Check Fee Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2013

	Actual
Receipts	
Fees	$ -
Expenditures	
General Government	$ -
Receipts Over (Under) Expenditures	$ -
Unencumbered Cash, Beginning	89
Unencumbered Cash, Ending	$ 89

Schedule 2-II

CHEROKEE COUNTY, KANSAS
Drug Free Grant Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2013

	Actual
Receipts	
Other	$ -
Expenditures	
Public Safety	$ -
Receipts Over (Under) Expenditures	$ -
Unencumbered Cash, Beginning	4,539
Unencumbered Cash, Ending	$ 4,539

CHEROKEE COUNTY, KANSAS
Prosecuting Attorney Training Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Fees	$ 1,999	$ 3,000	$ (1,001)
Expenditures			
Public Safety	$ 1,098	$ 4,460	$ (3,362)
Receipts Over (Under) Expenditures	$ 901		
Unencumbered Cash, Beginning	2,223		
Unencumbered Cash, Ending	$ 3,124		

CHEROKEE COUNTY, KANSAS
Severe Weather Equipment Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2013

	Actual
Receipts	
Charges for Services	$ -
Expenditures	
Equipment	$ -
Receipts Over (Under) Expenditures	$ -
Unencumbered Cash, Beginning	22
Unencumbered Cash, Ending	$ 22

CHEROKEE COUNTY, KANSAS
Spider Program Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2013

	Actual
Receipts	
Fees	$ 6,340
Expenditures	
Public Safety	$ 5,702
Receipts Over (Under) Expenditures	$ 638
Unencumbered Cash, Beginning	8,220
Unencumbered Cash, Ending	$ 8,858

CHEROKEE COUNTY, KANSAS
Attorney Application Fee Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Fees	$ 2,320	$ -	$ 2,320
Expenditures			
Public Safety	$ -	$ -	$ -
Receipts Over (Under) Expenditures	$ 2,320		
Unencumbered Cash, Beginning	-		
Unencumbered Cash, Ending	$ 2,320		

CHEROKEE COUNTY, KANSAS
Justice Assistance Grant Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2013

	Actual
Receipts	
Grant	$ -
Expenditures	
General Government	$ 391
Receipts Over (Under) Expenditures	$ (391)
Unencumbered Cash, Beginning	391
Unencumbered Cash, Ending	$ -

Schedule 2-OO

CHEROKEE COUNTY, KANSAS
EMPG Emergency Prepardness Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2013

	Actual
Receipts	
Grant	$ -
Expenditures	
General Government	$ -
Receipts Over (Under) Expenditures	$ -
Unencumbered Cash, Beginning	500
Unencumbered Cash, Ending	$ 500

Schedule 2-PP

CHEROKEE COUNTY, KANSAS
Emergency Planning Grant Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2013

	Actual
Receipts	
Grant	$ -
Expenditures	
General Government	$ -
Receipts Over (Under) Expenditures	$ -
Unencumbered Cash, Beginning	201
Unencumbered Cash, Ending	$ 201

CHEROKEE COUNTY, KANSAS
COPS Grant Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2013

	Actual
Receipts	
Grants	$ -
Total Receipts	$ -
Expenditures	
Capital Outlay	$ -
Receipts Over (Under) Expenditures	$ -
Unencumbered Cash, Beginning	9,897
Unencumbered Cash, Ending	$ 9,897

CHEROKEE COUNTY, KANSAS
NSP Grant Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2013

	Actual
Receipts	
Sale of Assets	$ 40,000
Total Receipts	$ 40,000
Expenditures	
Utilities	$ 400
Kanss Department of Commerce	30,707
Selling Expenses	7,581
Total Expenditures	$ 38,688
Receipts Over (Under) Expenditures	$ 1,312
Unencumbered Cash, Beginning	583
Unencumbered Cash, Ending	$ 1,895

CHEROKEE COUNTY, KANSAS
No-Fund Warrant Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Taxes and Shared Receipts:			
Ad Valorem Property Tax	$ -	$ -	$ -
Delinquent Tax	1,280	2,500	(1,220)
Motor Vehicle Tax	3,797	-	3,797
16/20 M. Vehicle Tax	410	-	410
Recreational Vehicle Tax	38	-	38
Total Receipts	$ 5,525	$ 2,500	$ 3,025
Expenditures			
Operating Transfers	$ 13,601	$ 7,960	$ 5,641
Receipts Over (Under) Expenditures	$ (8,076)		
Unencumbered Cash, Beginning	8,076		
Unencumbered Cash, Ending	$ -		

CHEROKEE COUNTY, KANSAS
Debt Service Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance Over (Under)
Receipts			
Ad Valorem Property Tax	$ -	$ -	$ -
Expenditures			
Operating Transfers	$ -	$ -	$ -
Receipts Over (Under) Expenditures	$ -		
Unencumbered Cash, Beginning	1,341		
Unencumbered Cash, Ending	$ 1,341		

CHEROKEE COUNTY, KANSAS
Sewer District No. 1 Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Actual	Budget	Variance-Over (Under)
Receipts			
Charges for Services	$ 85,946	$ 120,000	$ (34,054)
Taxes withheld from taxing entities	9,833	-	9,833
Grants	284,469	-	284,469
Operating Transfers	-	-	-
Total Receipts	$ 380,248	$ 120,000	$ 260,248
Expenditures			
Public Works	$ 260,971	$ 113,642	$ 147,329
Adjustment for Qualifying Budget Credits	-	284,469	(284,469)
Total Expenditures	$ 260,971	$ 398,111	$ (137,140)
Receipts Over (Under) Expenditures	$ 119,277		
Unencumbered Cash, Beginning	(16,110)		
Unencumbered Cash, Ending	$ 103,167		

CHEROKEE COUNTY, KANSAS
Agency Funds
Summary of Receipts and Disbursements
Regulatory Basis
For the Year Ended December 31, 2013

Fund	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Kansas Educational Buildings	$ -	$ 160,273	$ 160,273	$ -
Kansas Institutions Buildings	-	80,136	80,136	-
Correctional Institutions	(118)	-	-	(118)
State General Fund	-	-	-	-
Game Licenses	2,145	12,791	12,246	2,690
Temporary Boat Permits	(188)	9,293	9,594	(489)
Cereal Malt Beverage Stamps	200	500	350	350
Diversion Supervision Fees	5	-	-	5
Rural Directory	15	-	-	15
Southeast Kansas Library	-	170,750	170,750	-
Unclaimed Monies	11,902	-	-	11,902
Unclaimed Estates	157,756	-	-	157,756
Payroll Tax Withholdings	-	513,174	512,634	540
Sheltered Workshop	14	1	-	15
Vehicle Identification Number	7,870	16,351	22,392	1,829
Local Alcoholic Liquor	-	19,979	19,979	-
Information Network of Kansas	8,284	2,439	-	10,723
Bankruptcy	1,865	-	-	1,865
Rural Water District	246	-	-	246
Townships	(1,423)	181,633	180,210	-
Cities	2,523	2,838,582	2,838,556	2,549
Schools	(17,521)	6,928,373	6,910,852	-
Current Tax	5,978,107	16,839,003	16,098,412	6,718,698
Long and Short	(236)	10	1	(227)
Partial Payments	1,248	736	657	1,327
Redemption Tax	39,393	572,940	489,069	123,264
Delinquent Personnel Tax	(24,875)	84,130	43,981	15,274
Judicial Delinquent Personal Tax	28,917	26,420	49,035	6,302
Foreclosure Redemption Tax	-			-
Overpayment	356	5,833	5,794	395
Protest Tax	(20,170)	66,999	4,716	42,113
Heritage Trust	884	6,199	6,239	844
Vehicle Tax	(249,005)	2,407,413	2,175,733	(17,325)
16/20 M Vehicle Tax	34,189	81,227	74,748	40,668
In Lieu of Tax	550	-	-	550
Vehicle Excise Tax	138	110	205	43

CHEROKEE COUNTY, KANSAS
Agency Funds
Summary of Receipts and Disbursements
Regulatory Basis
For the Year Ended December 31, 2013

Fund	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Recreational Vehicle Tax	32	2,750	849	1,933
District Court	93,074	493,040	503,192	82,922
District Court Cases	16,101	13	-	16,114
Drug Forfeiture Fund	1,276	-	196	1,080
Sheriff Inmate	20,697	154,580	167,360	7,917
Special Auto	1,249,578	5,167,099	5,571,552	845,125
Total	$ 7,343,829	$ 36,842,777	$ 36,109,711	$ 8,076,895

MENSE, CHURCHWELL & MENSE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
427 Wall Street, P.O. Box 818
Joplin, Missouri 64802-0818
Telephone 417-623-2505
Fax 417-623-2507

EUGENE M. MENSE, JR., C.P.A. (1929 - 2006)
CHRIS D. CHURCHWELL, C.P.A.
EUGENE M. MENSE III, C.P.A.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

INDEPENDENT AUDITOR'S REPORT

To the County Commission
of Cherokee County, Kansas

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the fund summary statement of regulatory basis receipts, expenditures and unencumbered cash balances of Cherokee County, Kansas as of and for the year ended December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated October 29, 2014. The financial statement is prepared by Cherokee County, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Cherokee County, Kansas's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Cherokee County, Kansas's internal control. Accordingly, we do not express an opinion on the effectiveness of Cherokee County, Kansas's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a

deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2013-1, 2013-4 and 2013-6.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. 2013-2, 2013-3, 2013-5 and 2013-7.

Compliance and Other Matters

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

Cherokee County, Kansas's Response to Findings

Cherokee County, Kansas's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Cherokee County, Kansas's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mense, Churchwell & Mense, P.C.
Certified Public Accountants

Joplin, Missouri
October 29, 2014

MENSE, CHURCHWELL & MENSE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
427 Wall Street, P.O. Box 818
Joplin, Missouri 64802-0818
Telephone 417-623-2505
Fax 417-623-2507

EUGENE M. MENSE, JR., C.P.A. (1929 - 2006)
CHRIS D. CHURCHWELL, C.P.A.
EUGENE M. MENSE III, C.P.A.

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

INDEPENDENT AUDITOR'S REPORT

To the County Commission
of Cherokee County, Kansas

Report on Compliance for Each Major Federal Program

We have audited Cherokee County, Kansas's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Cherokee County, Kansas's major federal programs for the year ended December 31, 2013. Cherokee County, Kansas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cherokee County, Kansas's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cherokee County, Kansas's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cherokee County, Kansas's compliance.

Opinion on Each Major Federal Program

In our opinion, Cherokee County, Kansas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of Cherokee County, Kansas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cherokee County, Kansas's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cherokee County, Kansas's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes.

Mense, Churchwell & Mense, P.C.
Certified Public Accountants

Joplin, Missouri
October 29, 2014

CHEROKEE COUNTY, KANSAS
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2013

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Pass-Through Entity Identifying Number*	*Federal Expenditures*
CDBG State Administered CDBG Cluster			
Department of Housing and Urban Development			
Pass-Through Programs From			
Kansas Department of Commerce			
Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii	14.228	09-NSP-002	$ 913
Total Department of Housing and Urban Development Pass-Through Programs			$ 913
Total CDBG-State Administered CDBG Cluster			$ 913
Highway Safety Cluster			
Department of Transportation			
Pass-Through Programs From			
Kansas Department of Transportation			
State and Community Highway Safety	20.600	OP-1152-13	$ 1,106
State and Community Highway Safety	20.600	OP-1152-14	678
Total Department of Transportation Pass-Through Programs			$ 1,784
Total Highway Safety Cluster			$ 1,784
Other Programs			
Executive Office of the President			
Pass-Through Programs From			
Kansas Bureau of Investigation			
High Intensity Drug Trafficking Areas Program	95.001		$ 39,312
Total Executive Office of the President Pass-Through Programs			$ 39,312
Total Executive Office of the President			$ 39,312

The accompanying notes are an integral part of this schedule.

CHEROKEE COUNTY, KANSAS
Schedule of Expenditures of Federal Awards (Continued)
For the year ended December 31, 2013

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Pass-Through Entity Identifying Number*	*Federal Expenditures*
Department of Homeland Security			
Pass-Through Programs From			
Kansas Adjutant General			
Emergency Management Performance Grants	97.042		$ 20,236
Hazard Mitigation Grant	97.039	HM-1776-KS-0017T	836
Total Department of Homeland Security Pass-Through Programs			$ 21,072
Total Department of Homeland Security			$ 21,072
Department of Justice Direct Programs			
Public Safety Partnership and Community Policing Grants	16.710	2010-UM-WX-0121	$ 33,568
Public Safety Partnership and Community Policing Grants	16.710	2013-UM-WX-0207	3,237
Total Department of Justice Direct Program			$ 36,805
Total Department of Justice			$ 36,805
Environmental Protection Agency			
Pass-Through Programs From			
Kansas Department of Health and Environment			
Capitalization Grants for Clean Water State Revolving Funds	66.458	C20 1745 01	$ 267,982
Total Environmental Protection Agency Pass-Through Programs			$ 267,982
Total Environmental Protection Agency			$ 267,982
Department of Health and Human Services			
Pass-Through Programs From			
Kansas Department of Health and Environment			
Maternal and Child Health Services Block Grant to the States	93.994		$ 19,601
Public Health Emergency Preparedness	93.069		22,768
Immunization Grants	93.268		44,505
Total Department of Health and Human Services Pass-Through Programs			$ 86,874
Total Department of Health and Human Services			$ 86,874

The accompanying notes are an integral part of this schedule.

CHEROKEE COUNTY, KANSAS
Schedule of Expenditures of Federal Awards (Continued)
For the year ended December 31, 2013

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	*Federal CFDA Number*	*Pass-Through Entity Identifying Number*	*Federal Expenditures*
Department of Agriculture			
Pass-Through Programs From			
Kansas Department of Health and Environment			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		$ 311,733
Total Department of Agriculture Pass-Through Programs			$ 311,733
Total Department of Agriculture			$ 311,733
Election Assistance Commission			
Pass-Through Programs From			
Kansas Secretary of State			
Help America Vote Act Requirements Payments	90.401		$ 9,950
Total Election Assistance Commission Pass-Through Programs			$ 9,950
Total Election Assistance Commission			$ 9,950
Total Other Programs			$ 773,728
Total Expenditures of Federal Awards			$ 776,425

The accompanying notes are an integral part of this schedule.

CHEROKEE COUNTY, KANSAS
Notes to the Schedule of Expenditures of Federal Awards
December 31, 2013

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures federal awards (the "Schedule") includes the federal grant activity of Cherokee County, Kansas under programs of the federal government for the year ended December 31, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Cherokee County, Kansas, it is not intended to and does not present the financial position, changes in net assets or cash flows of Cherokee County, Kansas.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the regulatory basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* to meet the requirements of the State of Kansas. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

CHEROKEE COUNTY, KANSAS
Schedule of Findings and Questioned Costs
For the year ended December 31, 2013

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified opinion on financial statements prepared on the regulatory basis of the financial reporting provisions of the Kansas *Municipal Audit and Accounting Guide* to meet the requirements of the State of Kansas.

Internal control over financial reporting:

- Material weakness(es) identified? ___X___ yes _____ no
- Significant deficiency(ies) identified? ___X___ yes _____ no

Noncompliance material to financial statements noted? _____ yes ___X___ no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes ___X___ no
- Significant deficiency(ies) identified? _____ yes ___X___ none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? _____ yes ___X___ no

Identification of major federal programs:

CFDA Number	Name of Federal Program
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs: $ 300,000

Auditee qualifies as a low-risk auditee? _____ yes ___X___ no

CHEROKEE COUNTY, KANSAS
Schedule of Findings and Questioned Costs
For the year ended December 31, 2013

Section II - Financial Statement Findings

2013-001 Segregation of Duties

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records.

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Response: The Board of County Commissioners has contacted with a consultant to review internal control and make recommendations to segregate duties. The Board received the consultant's findings and recommendations and approved a resolution to implement many of the recommendations in November, 2013. The Board intends to monitor procedures to ascertain they are being followed.

2013-002 Accounting Manual

Criteria: The County should prepare an accounting manual that would inform all employees of desired operating procedures and policies.

Condition: Cherokee County does not have an accounting manual.

Effect: Employee duties are not adequately segregated which may lead to errors or misappropriation of assets.

Cause: County employees do not have the time to internally develop a manual. It is not economically feasible at the present time to contract with an outside entity to prepare an accounting manual.

Recommendation: The County should develop an accounting manual as time and expenses allow.

Section II - Financial Statement Findings (Continued)

Response:	The Board of County Commissions is continuing to study internal controls and duties of the departments and to encourage the elected officials and department heads to develop job descriptions and manuals for their employees.
2013-003	Accounts Payable/Encumbrances
Criteria:	The County should maintain a record of encumbrances/ accounts payable for each fund.
Condition:	No record of encumbrances/accounts payable are maintained.
Effect:	Over expenditure of the budget and violation of state statutes may occur.
Cause:	Current accounting program does not provide for the recording of encumbrances/accounts payable.
Recommendation:	County should purchase or develop a program.
Response:	Management will inquire about such a program and will evaluate feasibility.
2013-004	Fixed Assets
Criteria:	The County should maintain a record of fixed assets.
Condition:	No record of Fixed Assets owned by the County exists.
Effect:	County may lose control of item(s) and this could result in the loss or misappropriation of assets.
Cause:	County employees do not have sufficient time to develop and maintain such records nor is it feasible to develop such records at this time.
Recommendation:	The County should prepare and develop fixed asset accounting records.
Response:	The Board will continue to monitor the recommendations and implement procedures in the future.

Section II - Financial Statement Findings (Continued)

2013-005	Internal Control Over Federal Awards
Criteria:	Circular A-133 "Audits of States, Local Governments and Non-Profit Organizations" states that it is the auditee responsibility to identify all federal awards received and expended and the programs under which they were received. This shall include the C.F.D.A. title and number, award year and number, federal agency name and name of the pass-through entity.
Condition:	No centralized record of Federal Financial Awards exists.
Effect:	Risk that federal awards and expenditures will go undetected and not be recorded in County's records.
Cause:	Lack of appropriate written procedures.
Recommendation:	The County Commission establish written procedures. The procedures should include a requirement that all grant applications be brought before the County Commission at the weekly meeting and the Commission formally approve or reject the application. If approved and the County is successful in obtaining the grant, the Commission should formally accept the grant at the Commission's weekly meeting. At the time of acceptance, the C.F.D.A. title and number should be obtained and recorded in the minutes. Copies of all grant agreements should then be copied and filed in a central location. In addition, responsibility should be assigned to one employee to oversee that the necessary records and information are retained and filed.
Response:	The recommendations will be reviewed and monitored. The Board, during the past year, concentrated on having a consultant review office procedures in the County Treasurer's Office in order to strengthen internal controls.

CHEROKEE COUNTY, KANSAS
Schedule of Findings and Questioned Costs
For the year ended December 31, 2013

Section II - Financial Statement Findings (Continued)

2013-006	Reconciliation of Bank Accounts
Criteria:	Bank accounts should be reconciled monthly.
Condition:	The Special Auto – Motor Vehicle account, County Treasurer's account and Inmate accounts are not being reconciled.
Effect:	Condition could result in errors going undetected and possible understatement or misappropriation of assets.
Cause:	Unknown
Recommendation:	Bank accounts should be reconciled to the ledger and subsidiary journals and accounts monthly.
Response:	The Board of County Commissioners received a report from an independent consultant and has approved a resolution to implement the recommendations. In addition, the Board has retained the services of a Certified Public Accountant to assist with the recommendations and to reconcile the bank accounts in the County Treasurer's Office
2013-007	Design of internal control system for preparation of the basic financial statements
Criteria:	A properly designed system of internal control, which includes preparation of financial statements in conformity with Governmental Accounting Standards and the Kansas Municipal Audit Guide, includes having accounting professionals as part of the system to perform that function.
Condition:	The County has personnel in place to perform all bookkeeping functions necessary to maintain a general ledger and prepare internal use statements for management and the County Commission. However, the County does not have the resources to have accounting professional with the knowledge, experience and training to prepare governmental financial statements in conformity with Governmental Accounting Standards and the Kansas Municipal Audit Guide as part of their internal control system.
Effect:	The County employs the auditors that perform the annual audit of the financial statements to prepare the annual financial statements.

Section II - Financial Statement Findings (Continued)

Recommendation: We recognize that the County does not have the resources to have an accounting professional with the knowledge, experience and training to prepare governmental financial statements in conformity with the *Kansas Municipal Accounting and Audit Guide*. We recommend that management continue to prepare internal financial statements and accept responsibility for the annual financial report. Professional standards require we bring this to your attention.

Response: County personnel will take responsibility for the financial statement, will review proposed adjustments and draft financial statement.

CHEROKEE COUNTY, KANSAS
Schedule of Findings and Questioned Costs
For the year ended December 31, 2013

Section III – Federal Awards Findings and Questioned Costs

No findings related to Federal Awards reported.

CHEROKEE COUNTY, KANSAS

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2013

Item	Program Finding	Resolution
2012-001	Segregation of duties	Condition still exists
2012-002	Accounting Manual	Condition still exists
2012-003	Accounts Payable/Encumbrances	Condition still exists
2012-004	Fixed Assets	Condition still exists
2012-005	Internal Control over Federal Awards	Condition still exists
2012-006	Reconciliation of Bank Accounts	Condition still exists
2012-007	Preparation of Financial Statements	Condition still exists

CHEROKEE COUNTY, KANSAS
Corrective Action Plan
For the year ended December 31, 2013

Finding 2013-001, 2013-002, 2013-004, 2013-005 and 2013-006

The Board of County Commissioners have received a report from a consultant retained to study internal control procedures and make recommendations. The Commissioners accepted the report and approved a resolution to implement many of the recommendations and are currently in the process of following up on implementation.

Finding 2013-006

Management will inquire about such program modifications or programs to purchase and will evaluate the feasibility of implementation.

Finding 2013-007

The County does not have personnel with the expertise to prepare the financial statements, the schedule of federal financial assistance expended and the related notes to the financial statements in accordance with professional standards. The County personnel will review the statements and related notes and take responsibility for them.