CHEROKEE COUNTY, KANSAS

Annual Financial Report

For the year ended December 31, 2010

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

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INDEPENDENT AUDITOR'S REPORT

To the Cherokee County Commission
Cherokee County, Kansas

We have audited the accompanying financial statements of Cherokee County, Kansas, as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as identified in the table of contents. These financial statements are the responsibility of Cherokee County, Kansas' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 the guidance in the Kansas Municipal Audit Guide. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements do not include financial data for the following legally separate component units of the County: Cherokee County Extension Council. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County. The effect on the financial statements of the omission of these component units is presumed to be immaterial.

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do 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, 2010, or the changes in its financial position, or where applicable, its cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Cherokee County, Kansas as of December 31, 2010, and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2011 on our consideration of Cherokee County, Kansas' 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Cherokee County, Kansas's basic financial statements identified in the table of contents. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as whole.

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

Joplin, Missouri
July 15, 2011

CHEROKEE COUNTY, KANSAS
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2010

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:							
General	$ 796,290	$ -	$ 3,879,830	$ 4,072,256	$ 603,864	$ 89,903	$ 693,767
Special Revenue							
Road and Bridge	926,986	-	3,678,865	3,979,770	626,081	35,260	661,341
Appraisal	100,556	-	324,143	316,440	108,259	16,259	124,518
Health	999,456	-	714,021	636,057	1,077,420	4,911	1,082,331
Election	139,277	-	160,634	156,642	143,269	8,395	151,664
Noxious Weed	37,376	-	63,387	32,227	73,536	117	73,653
Extension Council	20,730	-	206,901	201,340	26,291	-	26,291
Soil Conservation	2,953	-	25,689	25,000	3,642	-	3,642
Fair	1,384	-	2,030	-	3,414	-	3,414
Ambulance	63,197	-	596,042	576,576	82,663	-	82,663
Elderly Services	162	-	20,780	18,827	2,115	592	2,707
Mental Health	10,900	-	114,871	109,273	16,498	-	16,498
Mental Retardation	10,724	-	114,981	109,273	16,432	-	16,432
Employee Benefits	161,347	-	3,147,398	2,955,175	353,570	18,046	371,616
Out-District Tuition Fund	1,922	-	15	-	1,937	-	1,937
Special Parks and Recreation	18,559	-	4,248	13,180	9,627	-	9,627
Special Alcohol	3,241	-	12,728	-	15,969	-	15,969
Landfill	81,161	-	11,676	6,826	86,011	-	86,011
Tourism and Convention Promotion	500	-	7,364	7,064	800	-	800
Special Law Enforcement Training	571	-	24,254	22,783	2,042	-	2,042
Emergency Telephone Tax	96,999	-	64,663	74,224	87,438	3,410	90,848
County Attorney Special Law Enforcement	704	-	180	-	884	-	884
Register of Deeds Technology Fund	39,619	-	17,934	16,469	41,084	317	41,401
State Line Road Project	258	-	1	-	259	-	259
Drug Tax Stamp	1,002	-	98	-	1,100	-	1,100
Special Liability	16,735	-	88	-	16,823	-	16,823
County Building	899	-	11	-	910	-	910
Special Bridge	421,429	-	153,676	350,426	224,679	2,358	227,037
Special Highway Improvement	1,264	-	-	-	1,264	-	1,264
Special Road Machinery	100	-	225,000	225,000	100	-	100
Law Library	5,369	-	16,121	1,012	20,478	-	20,478

CHEROKEE COUNTY, KANSAS
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2010

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds (Continued):							
Special Revenue (Continued)							
Electronic Monitoring	$ 910	$ -	$ -	$ -	$ 910	$ -	$ 910
Bad Check Fee	38	-	51	-	89	-	89
Drug Free Grant	4,539	-	-	-	4,539	-	4,539
Prosecuting Attorney Training	565	-	2,365	2,367	563	-	563
Severe Weather Equipment	22	-	-	-	22	-	22
LEPC Planning and Training	-	-	20,600	20,600	-	-	-
Spider Program	6,225	-	4,160	1,750	8,635	-	8,635
Emergency Wireless Telephone Tax	120,722	-	135,460	130,787	125,395	-	125,395
Justice Assistance Grant	391	-	-	-	391	-	391
EMPG Emergency Preparedness	500	-	-	-	500	-	500
Emergency Planning Grant	5,201	-	-	5,000	201	-	201
CDBG-Family Life	-	-	400,000	400,000	-	5,000	5,000
USDA Storm Siren Grant	-	-	45,658	45,616	42	-	42
NSP Grant	-	-	53,441	52,830	611	-	611
Debt Service							
Bond and Interest	1,341	-	-	-	1,341	-	1,341
No Fund Warrant	8,555	-	249,352	238,777	19,130	-	19,130
	$ 4,110,679	$ -	$ 14,503,716	$ 14,803,567	$ 3,810,828	$ 184,568	$ 3,995,396
Component Units:							
Sewer District No. 1	223,902	-	88,923	129,065	183,760	25,073	208,833
Total Reporting Entity (Excluding Agency Funds)	$ 4,334,581	$ -	$ 14,592,639	$ 14,932,632	$ 3,994,588	$ 209,641	$ 4,204,229
Composition of Cash							
Cash on Hand							$ 898
Checking Accounts							8,093,107
Savings Accounts							266,389
Certificates of Deposit							3,131,939
Investments							500,000
Total Cash							$ 11,992,333
Agency Funds							(7,788,104)
Total Reporting Entity (Excluding Agency Funds)							$ 4,204,229

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

CHEROKEE COUNTY, KANSAS
Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2010

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Type Funds:					
General Fund	$ 4,466,366	$ 37,736	$ 4,504,102	$4,072,256	$ (431,846)
Special Revenue Funds					
Road and Bridge	3,360,000	614,784	3,974,784	3,979,770	$ 4,986
Appraisal	340,000	-	340,000	316,440	(23,560)
Health	629,394	479,761	1,109,155	636,057	(473,098)
Election	189,000	-	189,000	156,642	(32,358)
Noxious Weed	70,500	-	70,500	32,227	(38,273)
Extension Council	201,340	-	201,340	201,340	-
Soil Conservation	25,000	-	25,000	25,000	-
Fair	1,985	-	1,985	-	(1,985)
Ambulance	576,576	-	576,576	576,576	-
Elderly Services	20,000	-	20,000	18,827	(1,173)
Mental Health	109,273	-	109,273	109,273	-
Mental Retardation	109,273	-	109,273	109,273	-
Employee Benefits	3,013,000	-	3,013,000	2,955,175	(57,825)
Out-District Tuition	-	-	-	-	-
Special Parks and Recreation	13,926	-	13,926	13,180	(746)
Special Alcohol	13,034	-	13,034	-	(13,034)
Landfill	57,978	-	57,978	6,826	(51,152)
Tourism and Promotion	17,500	-	17,500	7,064	(10,436)
Special Law Enforcement Training	2,221	21,130	23,351	22,783	(568)
Emergency Telephone Tax	189,676	-	189,676	74,224	(115,452)
Emergency Wireless Telephone Tax	233,132	-	233,132	130,787	(102,345)
Debt Service					
Bond and Interest	-	-	-	-	-
No Fund Warrant	238,777	-	238,777	238,777	-
Component Units:					
Sewer District No. 1	250,359	-	250,359	129,065	(121,294)

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
General Fund
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 949,609	$ 1,107,286	$ (157,677)
Delinquent Tax	47,014	30,000	17,014
Motor Vehicle Tax	154,970	116,193	38,777
16/20 M Vehicle Tax	7,472	6,052	1,420
Recreational Vehicle Tax	2,027	1,523	504
Sales Tax	1,749,713	1,792,598	(42,885)
Local Alcoholic Liquor Fund	4,247	4,256	(9)
Licenses, Permits and Fees	300,453	310,876	(10,423)
Interest	289,122	295,000	(5,878)
Inmate Housing	287,654	617,000	(329,346)
Grants	37,736	-	37,736
Other	43,513	35,000	8,513
Rents	6,300	6,100	200
Total Cash Receipts	$ 3,879,830	$ 4,321,884	$ (442,054)
Expenditures			
Commission	$ 84,195	$ 91,500	$ (7,305)
County Counselor	42,060	32,000	10,060
Clerk	151,254	165,000	(13,746)
Treasurer	131,613	140,000	(8,387)
Attorney	221,821	240,000	(18,179)
Register of Deeds	109,858	110,000	(142)
Sheriff	904,582	1,014,033	(109,451)
Sheriff Overtime	32,764	40,000	(7,236)
District Court	251,080	266,800	(15,720)
Courthouse	336,813	455,000	(118,187)
Emergency Preparedness	108,854	78,578	30,276
Economic Development	7,500	2,300	5,200
Planning Commission	5,791	6,300	(509)
Recreation	3,730	12,000	(8,270)
Jail	846,870	847,375	(505)
Data Processing	27,582	25,000	2,582
Jury Costs	2,147	10,000	(7,853)
Juvenile Detention	91,670	104,000	(12,330)
Genealogy Society	7,500	7,500	-
Emergency 911	51,997	65,000	(13,003)
Other	3,056	-	3,056
Capital Lease Payments on Jail Certificates of Participation	616,665	616,665	-
GIS Programming	32,854	30,000	2,854
Jail Sales Tax Reserve	-	107,315	(107,315)
Adjustment for Qualifying Budget Credits	-	37,736	(37,736)
Total Expenditures	$ 4,072,256	$ 4,504,102	$ (431,846)

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
General Fund (Continued)
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts Over (Under) Expenditures	$ (192,426)		
Unencumbered Cash - Beginning of Year	796,290		
Unencumbered Cash - End of Year	$ 603,864		

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Road and Bridge Fund
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 1,793,174	$ 1,726,633	$ 66,541
Delinquent Tax	80,399	45,000	35,399
Motor Vehicle Tax	319,942	260,977	58,965
16/20 M Vehicle Tax	13,229	13,593	(364)
Recreational Vehicle Tax	4,232	3,423	809
Special Highway Aid and County Equalization	848,665	881,678	(33,013)
Grants	614,784	-	614,784
Interest and Other	4,440	1,000	3,440
Total Cash Receipts	$ 3,678,865	$ 2,932,304	$ 746,561
Expenditures			
Public works	$ 3,754,770	$ 3,360,000	$ 394,770
Transfer to Other Funds	225,000	-	225,000
Adjustment for Qualifying Budget Credits	-	614,784	(614,784)
Total Expenditures	$ 3,979,770	$ 3,974,784	$ 4,986
Cash Receipts Over (Under) Expenditures	$ (300,905)		
Unencumbered Cash - Beginning of Year	926,986		
Unencumbered Cash - End of Year	$ 626,081		

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

CHEROKEE COUNTY, KANSAS

Statement of Cash Receipts and Expenditures - Actual and Budget

Appraisal Fund

For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 260,655	$ 251,035	$ 9,620
Delinquent Tax	11,265	6,500	4,765
Motor Vehicle Tax	42,820	35,611	7,209
16/20 M Vehicle Tax	1,698	1,855	(157)
Recreational Vehicle Tax	568	467	101
Fees	7,137	2,500	4,637
Total Cash Receipts	$ 324,143	$ 297,968	$ 26,175
Expenditures			
General Government	$ 316,440	$ 340,000	$ (23,560)
Cash Receipts Over (Under) Expenditures	$ 7,703		
Unencumbered Cash - Beginning of Year	100,556		
Unencumbered Cash - End of Year	$ 108,259		

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

CHEROKEE COUNTY, KANSAS

Statement of Cash Receipts and Expenditures - Actual and Budget

Health Fund

For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 136,136	$ 131,006	$ 5,130
Delinquent Tax	7,696	5,000	2,696
Motor Vehicle Tax	28,654	22,934	5,720
16/20 M Vehicle Tax	1,231	1,195	36
Recreational Vehicle Tax	378	301	77
Charges for Services	60,165	80,000	(19,835)
Grants	479,761	-	479,761
Total Cash Receipts	$ 714,021	$ 240,436	$ 473,585
Expenditures			
Health	$ 636,057	$ 629,394	$ 6,663
Adjustment for Qualifying Budget Credits	-	479,761	(479,761)
Total Expenditures	$ 636,057	$ 1,109,155	$ (473,098)
Cash Receipts Over (Under) Expenditures	$ 77,964		
Unencumbered Cash - Beginning of Year	999,456		
Unencumbered Cash - End of Year	$ 1,077,420		

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Election Fund
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 130,932	$ 126,120	$ 4,812
Delinquent Tax	4,524	2,000	2,524
Motor Vehicle Tax	19,140	13,016	6,124
16/20 M Vehicle Tax	1,060	678	382
Recreational Vehicle Tax	248	171	77
Other	4,730	-	4,730
Total Cash Receipts	$ 160,634	$ 141,985	$ 18,649
Expenditures			
General Government	$ 156,642	$ 189,000	$ (32,358)
Total Expenditures	$ 156,642	$ 189,000	$ (32,358)
Cash Receipts Over (Under) Expenditures	$ 3,992		
Unencumbered Cash - Beginning of Year	139,277		
Unencumbered Cash - End of Year	$ 143,269		

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

CHEROKEE COUNTY, KANSAS

Statement of Cash Receipts and Expenditures - Actual and Budget

Noxious Weed Fund

For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 58,282	$ 56,108	$ 2,174
Delinquent Tax	1,998	800	1,198
Motor Vehicle Tax	7,682	6,207	1,475
16/20 M Vehicle Tax	324	323	1
Recreational Vehicle Tax	101	81	20
Total Cash Receipts	$ 68,387	$ 63,519	$ 4,868
Expenditures			
Public Works	$ 32,227	$ 70,500	$ (38,273)
Cash Receipts Over (Under) Expenditures	$ 36,160		
Unencumbered Cash - Beginning of Year	37,376		
Unencumbered Cash - End of Year	$ 73,536		

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

CHEROKEE COUNTY, KANSAS

Statement of Cash Receipts and Expenditures - Actual and Budget

Extension Council Fund

For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 172,477	$ 166,208	$ 6,269
Delinquent Tax	6,824	4,000	2,824
Motor Vehicle Tax	26,206	21,710	4,496
16/20 M Vehicle Tax	1,047	1,131	(84)
Recreational Vehicle Tax	347	285	62
Total Cash Receipts	$ 206,901	$ 193,334	$ 13,567
Expenditures			
Appropriations to Extension Council Treasurer	$ 201,340	$ 201,340	$ -
Cash Receipts Over (Under) Expenditures	$ 5,561		
Unencumbered Cash - Beginning of Year	20,730		
Unencumbered Cash - End of Year	$ 26,291		

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Soil Conservation Fund
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 21,341	$ 20,513	$ 828
Delinquent Tax	893	500	393
Motor Vehicle Tax	3,275	2,650	625
16/20 M Vehicle Tax	137	138	(1)
Recreational Vehicle Tax	43	35	8
Total Cash Receipts	$ 25,689	$ 23,836	$ 1,853
Expenditures			
Appropriation to Conservation District Treasurer	$ 25,000	$ 25,000	$ -
Excess of Cash Receipts Over (Under) Expenditures	$ 689		
Unencumbered Cash - Beginning of Year	2,953		
Unencumbered Cash - End of Year	$ 3,642		

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

CHEROKEE COUNTY, KANSAS

Statement of Cash Receipts and Expenditures - Actual and Budget

Fair Fund

For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 16	$ -	$ 16
Delinquent Tax	357	200	157
Motor Vehicle Tax	1,571	1,273	298
16/20 M Vehicle Tax	65	66	(1)
Recreational Vehicle Tax	21	17	4
Total Cash Receipts	$ 2,030	$ 1,556	$ 474
Expenditures			
Appropriation to Fair Treasurer	$ -	$ 1,985	$ (1,985)
Excess Cash Receipts Over (Under) Expenditures	$ 2,030		
Unencumbered Cash - Beginning of Year	1,384		
Unencumbered Cash - End of Year	$ 3,414		

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

CHEROKEE COUNTY, KANSAS

Statement of Cash Receipts and Expenditures - Actual and Budget

Ambulance Fund

For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 497,057	$ 478,955	$ 18,102
Delinquent Tax	18,365	6,000	12,365
Motor Vehicle Tax	76,561	63,601	12,960
16/20 M Vehicle Tax	3,043	3,313	(270)
Recreational Vehicle Tax	1,016	834	182
Total Cash Receipts	$ 596,042	$ 552,703	$ 43,339
Expenditures			
Appropriation to Ambulance District Treasurers	$ 576,576	$ 576,576	$ -
Cash Receipts Over (Under) Expenditures	$ 19,466		
Unencumbered Cash - Beginning of Year	63,197		
Unencumbered Cash - End of Year	$ 82,663		

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Elderly Services Fund
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 18,029	$ 17,409	$ 620
Delinquent Tax	576	200	376
Motor Vehicle Tax	2,080	1,870	210
16/20 M Vehicle Tax	67	97	(30)
Recreational Vehicle Tax	28	25	3
Total Cash Receipts	$ 20,780	$ 19,601	$ 1,179
Expenditures			
Elderly Programs	$ 18,827	$ 20,000	$ (1,173)
Excess Cash Receipts Over (Under) Expenditures	$ 1,953		
Unencumbered Cash - Beginning of Year	162		
Unencumbered Cash - End of Year	$ 2,115		

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Mental Health Fund
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 96,022	$ 92,488	$ 3,534
Delinquent Tax	3,827	1,500	2,327
Motor Vehicle Tax	14,259	11,770	2,489
16/20 M Vehicle Tax	574	613	(39)
Recreational Vehicle Tax	189	154	35
Total Cash Receipts	$ 114,871	$ 106,525	$ 8,346
Expenditures			
Public Health	$ 109,273	$ 109,273	$ -
Excess Cash Receipts Over (Under) Expenditures	$ 5,598		
Unencumbered Cash - Beginning of Year	10,900		
Unencumbered Cash - End of Year	$ 16,498		

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Mental Retardation Fund
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 96,276	$ 92,758	$ 3,518
Delinquent Tax	3,823	1,500	2,323
Motor Vehicle Tax	14,139	11,805	2,334
16/20 M Vehicle Tax	555	615	(60)
Recreational Vehicle Tax	188	155	33
Total Cash Receipts	$ 114,981	$ 106,833	$ 8,148
Expenditures			
Public Health	$ 109,273	$ 109,273	$ -
Total Cash Receipts Over (Under) Expenditures	$ 5,708		
Unencumbered Cash - Beginning of Year	10,724		
Unencumbered Cash - End of Year	$ 16,432		

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

CHEROKEE COUNTY, KANSAS

Statement of Cash Receipts and Expenditures - Actual and Budget

Employee Benefits Fund

For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 2,091,324	$ 2,015,194	$ 76,130
Delinquent Tax	72,337	40,000	32,337
Motor Vehicle Tax	285,324	242,026	43,298
16/20 M Vehicle Tax	10,832	12,606	(1,774)
Recreational Vehicle Tax	3,795	3,174	621
Reimbursements and Other	683,786	700,000	(16,214)
Total Cash Receipts	$ 3,147,398	$ 3,013,000	$ 134,398
Expenditures			
General Government	$ 2,955,175	$ 3,013,000	$ (57,825)
Total Expenditures	$ 2,955,175	$ 3,013,000	$ (57,825)
Excess Cash Receipts Over (Under) Expenditures	$ 192,223		
Unencumbered Cash - Beginning of Year	161,347		
Unencumbered Cash - End of Year	$ 353,570		

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

CHEROKEE COUNTY, KANSAS

Statement of Cash Receipts and Expenditures - Actual and Budget

Out-District Tuition Fund

For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Delinquent Tax	$ 15	$ -	$ 15
Total Cash Receipts	$ 15	$ -	$ 15
Expenditures			
Education	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
Cash Receipts Over (Under) Expenditures	$ 15		
Unencumbered Cash - Beginning of Year	1,922		
Unencumbered Cash - End of Year	$ 1,937		

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Special Parks and Recreation Fund
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Local Alcoholic Liquor Fund	$ 4,248	$ 4,256	$ (8)
Expenditures			
Recreation	$ 13,180	$ 13,926	$ (746)
Excess Cash Receipts Over (Under) Expenditures	$ (8,932)		
Unencumbered Cash - Beginning of Year	18,559		
Unencumbered Cash - End of Year	$ 9,627		

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Special Alcohol Fund
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Local Alcoholic Liquor Fund	$ 12,728	$ 11,756	$ 972
Expenditures			
Public Health	$ -	$ 13,034	$ (13,034)
Excess Cash Receipts Over (Under) Expenditures	$ 12,728		
Unencumbered Cash - Beginning of Year	3,241		
Unencumbered Cash - End of Year	$ 15,969		

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

CHEROKEE COUNTY, KANSAS

Statement of Cash Receipts and Expenditures - Actual and Budget

Landfill Fund

For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Host Fees	$ 11,676	$ 24,000	$ (12,324)
Expenditures			
Sanitation	$ 6,826	$ 57,978	$ (51,152)
Total Expenditures	$ 6,826	$ 57,978	$ (51,152)
Excess Cash Receipts Over (Under) Expenditures	$ 4,850		
Unencumbered Cash - Beginning of Year	81,161		
Unencumbered Cash - End of Year	$ 86,011		

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Tourism and Convention Promotion Fund
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Transient Guest Tax	$ 7,364	$ 16,000	$ (8,636)
Expenditures			
Tourism and Promotion	$ 7,064	$ 17,500	$ (10,436)
Excess Cash Receipts Over (Under) Expenditures	$ 300		
Unencumbered Cash - Beginning of Year	500		
Unencumbered Cash - End of Year	$ 800		

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Special Law Enforcement Training Fund
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Fees	$ 3,124	$ 2,150	$ 974
Grants	21,130	-	21,130
Total Cash Receipts	$ 24,254	$ 2,150	$ 22,104
Expenditures			
Public Safety	$ 22,783	$ 2,221	$ 20,562
Adjustment for Qualifying Budget Credits	-	21,130	(21,130)
Total Expenditures	$ 22,783	$ 23,351	$ (568)
Cash Receipts Over (Under) Expenditures	$ 1,471		
Unencumbered Cash - Beginning of Year	571		
Unencumbered Cash - End of Year	$ 2,042		

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Emergency Telephone Tax Fund
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Telephone Tax	$ 63,951	$ 120,000	$ (56,049)
Interest	712	-	712
Total Cash Receipts	$ 64,663	$ 120,000	$ (55,337)
Expenditures			
Public Safety	$ 74,224	$ 189,676	$ (115,452)
Total Expenditures	$ 74,224	$ 189,676	$ (115,452)
Cash Receipts Over (Under) Expenditures	$ (9,561)		
Unencumbered Cash - Beginning of Year	96,999		
Unencumbered Cash - End of Year	$ 87,438		

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures
County Attorney Special Law Enforcement Fund
For the Year Ended December 31, 2010

	Actual
Cash Receipts	
Fees	$ 180
Expenditures	
Public Safety	$ -
Cash Receipts Over (Under) Expenditures	$ 180
Unencumbered Cash - Beginning of Year	704
Unencumbered Cash - End of Year	$ 884

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures
Register of Deeds Technology Fund
For the Year Ended December 31, 2010

		Actual
Cash Receipts		
Fees	$	17,934
Interest		-
Total Cash Receipts	$	17,934
Expenditures		
General Government	$	16,469
Cash Receipts Over (Under) Expenditures	$	1,465
Unencumbered Cash - Beginning of Year		39,619
Unencumbered Cash - End of Year	$	41,084

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures
State Line Road Fund
For the Year Ended December 31, 2010

	Actual
Cash Receipts	
Interest	$ 1
Expenditures	
Public Works	$ -
Cash Receipts Over (Under) Expenditures	$ 1
Unencumbered Cash - Beginning of Year	258
Unencumbered Cash - End of Year	$ 259

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures
Drug Tax Stamp Fund
For the Year Ended December 31, 2010

	Actual
Cash Receipts	
Drug Control Payments	$ 98
Expenditures	
Public Safety	$ -
Cash Receipts Over (Under) Expenditures	$ 98
Unencumbered Cash - Beginning of Year	1,002
Unencumbered Cash - End of Year	$ 1,100

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures
Special Liability Fund
For the Year Ended December 31, 2010

	Actual
Cash Receipts	
Delinquent Tax	$ 88
Total Cash Receipts	$ 88
Expenditures	
General Government	$ -
Cash Receipts Over (Under) Expenditures	$ 88
Unencumbered Cash - Beginning of Year	16,735
Unencumbered Cash - End of Year	$ 16,823

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures
County Building Fund
For the Year Ended December 31, 2010

	Actual
Cash Receipts	
Delinquent Tax	$ 11
Total Cash Receipts	$ 11
Expenditures	
General Government	$ -
Cash Receipts Over (Under) Expenditures	$ 11
Unencumbered Cash - Beginning of Year	899
Unencumbered Cash - End of Year	$ 910

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures
Special Bridge Fund
For the Year Ended December 31, 2010

		Actual
Cash Receipts		
Ad Valorem Property Tax	$	127,791
Delinquent Tax		5,367
Motor Vehicle Tax		19,426
16/20 M Vehicle Tax		836
Recreational Vehicle Tax		256
Total Cash Receipts	$	153,676
Expenditures		
Public Works	$	350,426
Cash Receipts Over (Under) Expenditures	$	(196,750)
Unencumbered Cash - Beginning of Year		421,429
Unencumbered Cash - End of Year	$	224,679

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures
Special Highway Improvement Fund
For the Year Ended December 31, 2010

	Actual
Cash Receipts	
Transfer from Other Funds	$ -
Expenditures	
Public Works	$ -
Cash Receipts Over (Under) Expenditures	$ -
Unencumbered Cash - Beginning of Year	1,264
Unencumbered Cash - End of Year	$ 1,264

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures
Special Road Machinery Fund
For the Year Ended December 31, 2010

	Actual
Cash Receipts	
Transfer from Other Funds	$ 225,000
Expenditures	
Capital Outlay	$ 225,000
Cash Receipts Over (Under) Expenditures	$ -
Unencumbered Cash - Beginning of Year	100
Unencumbered Cash - End of Year	$ 100

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures
Law Library Fund
For the Year Ended December 31, 2010

	Actual
Cash Receipts	
Fees	$ 16,121
Expenditures	
Public Safety	$ 1,012
Cash Receipts Over (Under) Expenditures	$ 15,109
Unencumbered Cash - Beginning of Year	5,369
Unencumbered Cash - End of Year	$ 20,478

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures
Electronic Monitoring Fund
For the Year Ended December 31, 2010

	Actual
Cash Receipts	
Grants	$ -
Expenditures	
Public Safety	$ -
Cash Receipts Over (Under) Expenditures	$ -
Unencumbered Cash - Beginning of Year	910
Unencumbered Cash - End of Year	$ 910

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures
Bad Check Fee Fund
For the Year Ended December 31, 2010

	Actual
Cash Receipts	
Fees	$ 51
Expenditures	
General Government	$ -
Cash Receipts Over (Under) Expenditures	$ 51
Unencumbered Cash - Beginning of Year	38
Unencumbered Cash - End of Year	$ 89

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures
Drug Free Grant Fund
For the Year Ended December 31, 2010

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

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures
Prosecuting Attorney Training Fund
For the Year Ended December 31, 2010

	Actual
Cash Receipts	
Fees	$ 2,365
Expenditures	
Public Safety	$ 2,367
Cash Receipts Over (Under) Expenditures	$ (2)
Unencumbered Cash - Beginning of Year	565
Unencumbered Cash - End of Year	$ 563

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures
Severe Weather Equipment Fund
For the Year Ended December 31, 2010

	Actual
Cash Receipts	
Charges for Services	$ -
Expenditures	
Equipment	$ -
Cash Receipts Over (Under) Expenditures	$ -
Unencumbered Cash - Beginning of Year	22
Unencumbered Cash - End of Year	$ 22

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures
LEPC Planning and Training Grant Fund
For the Year Ended December 31, 2010

	Actual
Cash Receipts	
Grant	$ 20,600
Expenditures	
General Government	$ 20,600
Cash Receipts Over (Under) Expenditures	$ -
Unencumbered Cash - Beginning of Year	-
Unencumbered Cash - End of Year	$ -

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures
Spider Program Fund
For the Year Ended December 31, 2010

	Actual
Cash Receipts	
Fees	$ 4,160
Expenditures	
Public Safety	$ 1,750
Cash Receipts Over (Under) Expenditures	$ 2,410
Unencumbered Cash - Beginning of Year	6,225
Unencumbered Cash - End of Year	$ 8,635

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Emergency Wireless Telephone Tax Fund
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Telephone Tax	$ 134,573	$ 150,000	$ (15,427)
Interest	887	250	637
Total Cash Receipts	$ 135,460	$ 150,250	$ (14,790)
Expenditures			
Public Safety	$ 130,787	$ 233,132	$ (102,345)
Cash Receipts Over (Under) Expenditures	$ 4,673		
Unencumbered Cash - Beginning of Year	120,722		
Unencumbered Cash - End of Year	$ 125,395		

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures
Justice Assistance Grant Fund
For the Year Ended December 31, 2010

	Actual
Cash Receipts	
Grant	$ -
Expenditures	
General Government	$ -
Cash Receipts Over (Under) Expenditures	$ -
Unencumbered Cash - Beginning of Year	391
Unencumbered Cash - End of Year	$ 391

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures
EMPG Emergency Preparedness Fund
For the Year Ended December 31, 2010

	Actual
Cash Receipts	
Grants	$ -
Expenditures	
Public Safety	$ -
Cash Receipts Over (Under) Expenditures	$ -
Unencumbered Cash - Beginning of Year	500
Unencumbered Cash - End of Year	$ 500

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures
Emergency Planning Grant Fund
For the Year Ended December 31, 2010

	Actual
Cash Receipts	
Grant	$ -
Expenditures	
Public Safety	$ 5,000
Cash Receipts Over (Under) Expenditures	$ (5,000)
Unencumbered Cash - Beginning of Year	5,201
Unencumbered Cash - End of Year	$ 201

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

CHEROKEE COUNTY, KANSAS

Statement of Cash Receipts and Expenditures - Actual and Budget

CDBG - Family Life Fund

For the Year Ended December 31, 2010

	Actual
Cash Receipts	
Grant	$ 400,000
Total Cash Receipts	$ 400,000
Expenditures	
Capital Outlay	$ 400,000
Cash Receipts Over (Under) Expenditures	$ -
Unencumbered Cash - Beginning of Year	-
Unencumbered Cash - End of Year	$ -

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

CHEROKEE COUNTY, KANSAS

Statement of Cash Receipts and Expenditures - Actual and Budget

USDA Storm Siren Grant Fund

For the Year Ended December 31, 2010

	Actual
Cash Receipts	
Grant	$ 45,658
Total Cash Receipts	$ 45,658
Expenditures	
Capital Outlay	$ 45,616
Cash Receipts Over (Under) Expenditures	$ 42
Unencumbered Cash - Beginning of Year	-
Unencumbered Cash - End of Year	$ 42

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

CHEROKEE COUNTY, KANSAS

Statement of Cash Receipts and Expenditures - Actual and Budget

NSP Grant Fund

For the Year Ended December 31, 2010

	Actual
Cash Receipts	
Grant	$ 53,441
Total Cash Receipts	$ 53,441
Expenditures	
Capital Outlay	$ 52,830
Cash Receipts Over (Under) Expenditures	$ 611
Unencumbered Cash - Beginning of Year	-
Unencumbered Cash - End of Year	$ 611

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

CHEROKEE COUNTY, KANSAS

Statement of Cash Receipts and Expenditures - Actual and Budget

Bond and Interest Fund

For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ -	$ -	$ -
Expenditures			
Debt Service	$ -	$ -	$ -
Cash Receipts Over (Under) Expenditures	$ -		
Unencumbered Cash - Beginning of Year	1,341		
Unencumbered Cash - End of Year	$ 1,341		

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
No-Fund Warrant Fund
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 112,059	$ 104,186	$ 7,873
Delinquent Tax	-	1,000	(1,000)
Motor Vehicle Tax	12,450	7,874	4,576
16/20 M Vehicle Tax	-	410	(410)
Recreational Vehicle Tax	160	103	57
Taxes withheld from taxing entities	124,683	125,094	(411)
Total Cash Receipts	$ 249,352	$ 238,667	$ 10,685
Expenditures			
Principle	$ 215,000	$ 215,000	$ -
Interest	23,777	23,777	-
Total Expenditures	$ 238,777	$ 238,777	$ -
Cash Receipts Over (Under) Expenditures	$ 10,575		
Unencumbered Cash - Beginning of Year	8,555		
Unencumbered Cash - End of Year	$ 19,130		

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

CHEROKEE COUNTY, KANSAS

Statement of Cash Receipts and Expenditures - Actual and Budget

Sewer District No. 1 Fund

For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Charges for Services	$ 79,898	$ -	$ 79,898
Taxes withheld from taxing entities	9,025	-	9,025
Total Cash Receipts	$ 88,923	$ -	$ 88,923
Expenditures			
Public Works	$ 129,065	$ 250,359	$ (121,294)
Cash Receipts Over (Under) Expenditures	$ (40,142)		
Unencumbered Cash - Beginning of Year	223,902		
Unencumbered Cash - End of Year	$ 183,760		

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Disbursements
Agency Funds
For the Year Ended December 31, 2010

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Kansas Educational Buildings	$ -	$ 153,098	$ 153,098	$ -
Kansas Institutions Buildings	-	76,549	76,549	-
Correctional Institutions	(118)	-	-	(118)
State General Fund	(2)	99	97	-
Game Licenses	2,977	11,812	12,580	2,209
Temporary Boat Permits	-	9,061	9,029	32
Cereal Malt Beverage Stamps	225	575	475	325
Diversion Supervision Fees	5	-	-	5
Rural Directory	15	-	-	15
Southeast Kansas Library	-	126,900	126,900	-
Unclaimed Monies	11,902	-	-	11,902
Unclaimed Estates	157,756	-	-	157,756
Payroll Tax Withholdings	(139)	427,044	426,831	74
Sheltered Workshop	11	1	-	12
Vehicle Identification Number	410	922	992	340
Local Alcoholic Liquor	-	21,224	21,224	-
Information Network of Kansas	590	1,882	-	2,472
Bankruptcy	1,865	-	-	1,865
Rural Water District	246	-	-	246
Townships	-	155,019	155,019	-
Cities	2,341	2,193,890	2,193,850	2,381
Schools	(7)	5,682,137	5,682,130	-
Current Tax	5,672,924	15,546,040	14,857,873	6,361,091
Long and Short	(80)	10	31	(101)
Partial Payments	977	757	986	748
Redemption Tax	99,283	602,632	563,136	138,779
Delinquent Personnel Tax	(29,910)	64,442	64,411	(29,879)
Judicial Delinquent Personal Tax	4,280	-	694	3,586
Foreclosure Redemption Tax	16	-	-	16
Overpayment	72	4,991	4,991	72
Protest Tax	155,857	119,623	239,570	35,910
Heritage Trust	1,120	5,757	4,780	2,097
Vehicle Tax	561,712	1,938,944	1,951,739	548,917
16/20 M Vehicle Tax	28,232	80,273	70,621	37,884
In Lieu of Tax	550	-	-	550
Vehicle Excise Tax	254	217	-	471

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Disbursements
Agency Funds (Continued)
For the Year Ended December 31, 2010

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Recreational Vehicle Tax	$ 7,919	$ 1,653	$ 476	$ 9,096
District Court	24,944	947,421	944,279	28,086
District Court Cases	196,490	556	-	197,046
Drug Forfeiture Fund	6,294	14,622	17,211	3,705
Sheriff Inmate	3,680	123,878	117,817	9,741
Special Auto	263,868	4,691,113	4,694,208	260,773
Total	$ 7,176,559	$ 33,003,142	$ 32,391,597	$ 7,788,104

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I.A. INTRODUCTION

Cherokee County, Kansas (the "County") is a municipal corporation governed by an elected three member commission. Major services provided by the County include General Government, Public Works/Highways, Public Safety/Sheriff/Court System, Sanitation, Health and Social Services, Culture and Recreation, Public Improvements, and Planning and Zoning.

I.B. FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION

The County complies with the provision of Governmental Accounting Standards Board Statement No. 14, *"The Financial Reporting Entity"*, in determining the financial reporting entity, primary government, and component units.

I.B.1. Primary Government

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units.

I.B.2. Component Units

Component units are generally legally separate entities for which the primary government (the "County") is financially accountable. A primary government is financially accountable for the potential component unit if it appoints a voting majority of the unit's governing board and it is able to impose its will upon the potential component unit, or there is a possibility for the potential component unit to provide specific financial benefits or impose specific financial burdens on the primary government.

The following paragraphs briefly review each component unit addressed in defining the County's reporting entity. Further information regarding these agencies, their financial statements, and/or operations may be obtained by contacting the agencies directly.

<u>Blended Component Units</u>

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the County Commission or the component unit provides services entirely to the County.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I.B. FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION (CONTINUED)

I.B.2. Component Units (Continued)

Blended Component Units (Continued)

Sewer District No. 1 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.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending.

Cherokee County Extension Council (CCEC) provides services in such areas as agriculture, home economics, and 4-H class, to all persons in the County. The Council is governed by an elected four-member executive board. Cherokee County annually appropriates a significant portion of CCEC's operating budget. CCEC is fiscally dependent on the County. The financial activity of the CCEC has been excluded from the reporting entity.

Jointly Governed Organizations

Jointly Governed Organizations are organized to provide goods or services to the citizens of two or more governments. These organizations are governed by representatives from each of the governments that create the organization.

Cherokee County, Kansas is a member of the Southeast Kansas Regional Planning Commission (the "Commission"). The Commission is composed of 12 counties. The Commission is governed by a board composed of one member from each of the twelve participating counties.

Cherokee County, Kansas is a member of the Southeast Kansas Regional Juvenile Detention Center (the "Center"). The Center is composed of 11 counties. The purpose of which was to construct a regional juvenile detention facility. The Center is governed by a Board of Directors. The Board consists of one County Commissioner from each of the eleven counties.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I.B. FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION (CONTINUED)

I.B.3. Fund and Account Groups

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:

Governmental Fund Types

These are the funds through which most governmental functions are typically financed. The funds included in this category are as follows:

General Fund -

The General Fund is the general operating fund of the County. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Special Revenue Funds -

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Debt Service Fund -

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt including capital lease obligations, principal, interest and related costs.

Capital Projects Funds -

Capital Project Funds are established to account for major capital expenditures not financed by Enterprise Funds, Internal Service Funds, or Trust Funds.

Proprietary Fund Types

These funds account for operations that are organized to be self-supporting through user charges. Funds in this category are the Enterprise Funds.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I.B. FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION (CONTINUED)

I.B.3. Fund and Account Groups (Continued)

Proprietary Fund Types (Continued)

Enterprise Funds -

These funds are established to account for operation that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Fund Types

Agency Funds -

Agency Funds are used to account for assets held by the County as an agent for other funds and/or other governments. Agency Funds are custodial in nature and do not involve measurements of results of operations.

I.C. BASIS OF ACCOUNTING

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I.C. BASIS OF ACCOUNTING (CONTINUED)

Departure from Generally Accepted Accounting Principles. The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, revenue bonds capital leases, temporary notes, no-fund warrants and compensated absences are not presented in the financial statements.

I.D. BUDGETARY INFORMATION

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

1. Preparation of 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.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I.D. BUDGETARY INFORMATION (CONTINUED)

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 statutory basis of accounting in which revenues 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, fiduciary funds, federal and state grants, permanent funds, and the following special revenue 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2010 were 25,756. 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 the new 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 2010 for purposes of taxation was $133,898,116.

The tax levy per $100.00 of assessed valuation of tangible property for the calendar year was $5.20. The levy is composed of the sum of the legal tax levies for all funds with authorized levies.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I.F. RECEIPTS AND EXPENDITURES (CONTINUED)

I.F.2. Property Tax (Continued)

It is not practicable to apportion delinquent 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 are 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 Clerk does not maintain records of each fund indebtedness. (KSA 10-1117)

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

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

The Road and Bridge Fund expenditures exceeded budget limits. (KSA 79-2935)

III. DETAILED NOTES ON FUNDS AND ACCOUNTS

III. A. Deposits and Investments

As of December 31, 2010, the County had the following investments and maturities.

Investment Type	Fair Value	Cost
Financial Square Trust Treasury Obligation Fund Admin CL 469 (Mutual Fund)	$ 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 government 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.

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".

III. DETAILED NOTES ON FUNDS AND ACCOUNTS (CONTINUED)

III. A. Deposits and Investments (Continued)

At December 31, 2010, the County's carrying amount of deposits was $11,991,435 and the bank balance was $11,886,341. Eighty-seven percent of the bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $1,048,160 was covered by federal depository insurance, $7,000,000 was covered by irrevocable letters of credit, and $3,838,181 was covered by securities pledged.

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, 2010:

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

IV. LONG-TERM DEBT

Changes in long-term debt for the year ended December 31, 2010 are 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
No Fund Warrants								
2006A	$ 575,000	5.99%	9-06-2006	9-01-2011	$ 230,000	$ -	$ 115,000	$ 115,000
2006B	500,000	5.00%	9-06-2006	9-01-2011	200,000	-	100,000	100,000
Capital Leases								
John Deere Backhoes (2)	93,650	4.75%	8-15-2007	4-15-2012	59,767	-	18,986	40,781
AS400 Computer	29,688	3.31/5.56%	3-01-2007	7-01-2009	-	-	-	-
Sterling Dump Trucks (8)	350,242	6.95%	11-17-2006	11-17-2011	154,364	-	74,590	79,774
Road Graders (12)	1,644,800	4.40%	6-05-2007	6-05-2013	1,224,181	-	224,290	999,891
John Deere Tractors and Mowers (4)	281,000	4.35%	8-10-2008	8-10-2013	233,198	-	54,433	178,765
Certificates of Participation								
Series 2005	7,150,000	2.55/5.00%	4-01-2005	11-15-2021	5,615,000	-	375,000	5,240,000
Totals					$ 7,716,510	$ -	$ 962,299	$6,754,211

IV. LONG-TERM DEBT

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	2011	2012	2013	2014	2015	2016-2020	2021	Total
No Fund Warrants	$ 215,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 215,000
Capital Leases	390,772	324,883	583,556	-	-	-	-	1,299,211
Certificates of Participation	385,000	400,000	415,000	430,000	445,000	2,555,000	610,000	5,240,000
Total Principal	$ 990,772	$ 724,883	$ 998,556	$ 430,000	$ 445,000	$ 2,555,000	$ 610,000	$ 6,754,211
Interest								
No Fund Warrants	$ 11,889	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,889
Capital Leases	58,082	38,654	24,828	-	-	-	-	121,564
Certificates of Participation	228,728	215,060	200,060	184,290	167,520	535,320	30,500	1,561,478
Total Interest	$ 298,699	$ 253,714	$ 224,888	$ 184,290	$ 167,520	$ 535,320	$ 30,500	$ 1,694,931
Total Principal and Interest	$1,289,471	$ 978,597	$ 1,223,444	$ 614,290	$ 612,520	$ 3,090,320	$ 640,500	$ 8,449,142

V. PENSION PLAN

Plan description

The County contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provision of section 414(h) of the Internal Revenue Codes. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve bases. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for calendar year 2010 is 7.14%. Included in this rate is the contribution for Group Death and Disability Insurance of 1.0% (From April 1, 2010 through June 30, 2010 there was a moratorium on the collection of the premium of 1.00% of the Group Death and Disability Insurance rate.) For municipalities that hire a KPERS retiree who retired from a different KPERS employer, the employer rate is 12.52% for the period of January 1, 2010 to December 31, 2010 and the waiting period has been increased to 60 days. Cherokee County, Kansas employer contributions to KPERS for the years ending December 31, 2010, 2009, and 2008 were $292,804, $234,118, and $226,381, respectively, equal to the statutory required contributions for each year.

VI. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of; damage to, or 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), a public entity risk pool currently operating as a common risk management and insurance program 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.

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.

VII. 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. There is no cost to the government under this program.

VIII. 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.

XI. 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.

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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*

To the Cherokee County Commission
Cherokee County, Kansas

We have audited the financial statements of Cherokee County, Kansas as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as identified in the table of contents, and have issued our report thereon dated July 15, 2011. Cherokee County, Kansas prepares its financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State, which practices differ from accounting principles generally accepted in the United States of America. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of Cherokee County, Kansas is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Cherokee County, Kansas's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cherokee County, Kansas's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cherokee County, Kansas's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the

accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be 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 entity's financial statements 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. 2010-1, 2010-4, and 2010-6.

A *significant deficiency* is a deficiency or 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. 2010-2, 2010-3, 2010-5, and 2010-7.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cherokee County, Kansas's financial statements are free of 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*.

We noted certain matters that we reported to management of Cherokee County, Kansas, in a separate letter dated July 15, 2011.

Cherokee County, Kansas's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Cherokee County, Kansas's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Cherokee County Commission, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Joplin, Missouri
July 15, 2011

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Cherokee County Commission
Cherokee County, Kansas

Compliance

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, 2010. Cherokee County, Kansas's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Cherokee County, Kansas's management. Our responsibility is to express an opinion on Cherokee County, Kansas's compliance based on our audit.

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 considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Cherokee County, Kansas's compliance with those requirements.

In our opinion, Cherokee County, Kansas complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

Management of Cherokee County, Kansas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Cherokee County, Kansas's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 the 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, Cherokee County Commission, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other these specified parties.

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

Joplin, Missouri
July 15, 2011

CHEROKEE COUNTY, KANSAS
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2010

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Agriculture			
Passed-through Kansas Department of Health and Environment			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557		$ 309,358
Total U.S. Department of Agriculture			$ 309,358
U.S. Department of Housing and Urban Development			
Passed-through Kansas Department of Commerce			
Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii	14.228	09-PF-923	$ 395,000
Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii	14.228	09-NSP-002	53,513
Total U.S. Department of Housing and Urban Development			$ 448,513
U.S. Department of Justice			
Direct			
Public Safety Partnership and Community Policing Grants	16.710	2010-UM-WX-0121	$ 2,687
Public Safety Partnership and Community Policing Grants	16.710	2008-CK-WX-0664	21,130
Total U.S. Department of Justice			$ 23,817
U.S. Department of Transportation			
Passed-through Kansas Department of Transportation			
State and Community Highway Safety	20.600	OP-1152-10	$ 2,935
Passed-through Kansas Adjutant General			
Interagency Hazardous Material Public Sector Training and Planning Grants	20.703		15,223
Total U.S. Department of Transportation			$ 18,158
U.S. Election Assistance Commission			
Passed-through Kansas Secretary of State			
Help America Vote Act Requirements Payments	90.401		$ 32,988
Total U.S. Election Assistance Commission			$ 32,988
U.S. Department of Health and Human Services			
Passed-through Kansas Department of Health and Environment			
Public Health Emergency Preparedness	93.069		$ 69,925
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		725
ARRA - Immunization Grants	93.268		1,800
Immunization Grants	93.268		37,241
Maternal and Child Health Services Block Grants to the States	93.994		19,601
Total U.S. Department of Health and Human Services			$ 129,292

See accompanying notes to Schedule of Expenditures of Federal Awards.

CHEROKEE COUNTY, KANSAS
Schedule of Expenditures of Federal Awards (Continued)
For the year ended December 31, 2010

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Homeland Security			
Passed-through Kansas Adjutant General			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1849-PA-KS	$ 147,824
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1885-PA-KS	447,262
Emergency Management Performance Grants	97.042		20,736
Total U.S. Department of Homeland Security			$ 615,822
Total Expenditures of Federal Awards			$ 1,577,948

See accompanying notes to Schedule of Expenditures of Federal Awards.

CHEROKEE COUNTY, KANSAS
Notes to the Schedule of Expenditures of Federal Awards
December 31, 2010

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, 2010. 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

The accompanying schedule of expenditures of federal awards is presented on the statutory basis of accounting. The statutory basis of accounting is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when cash is received. Expenditures include cash disbursements, accounts payable, and encumbrances.

CHEROKEE COUNTY, KANSAS
Schedule of Findings and Questioned Costs
For the year ended December 31, 2010

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified opinion on financial statements prepared in conformity with the regulatory accounting practices of the State of Kansas.

Internal control over financial reporting:

- Material weakness(es) identified? ___X___ yes _____ no
- Significant deficiency(ies) identified not considered to be a material weakness(es)? ___X___ yes _____ no

Noncompliance material to financial statements noted? _____ yes ___X___ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes ___X___ no
- Significant deficiency(ies) identified not considered to be a material weakness(es)? _____ yes ___X___ none reported

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

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 programs:

CFDA Number	Name of Federal Program
10.557	Special Supplemental Nutrition Program for Women, Infants & Children
14.228	Community Development Block Grants / States Program and Non-Entitlement Grants in Hawaii
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

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, 2010

Section II - Financial Statement Findings

2010-1 Segregation of Duties

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

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, or to all phases of a transaction.

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 limited number of available personnel prohibits segregation of incompatible duties.

2010-2 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.

Response: It is not feasible at this time to contract for the development of such a manual. Employees do not have the time to internally develop a manual given the limited number of employees.

Section II - Financial Statement Findings (Continued)

2010-3	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.
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.
2010-4	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 the 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:	Employees do not have necessary time to develop records, and given current budget constraints, it is not feasible to contract the project.

Section II - Financial Statement Findings (Continued)

2010-5 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: Recommendation will be taken into consideration and will be communicated to respective department personnel.

Section II - Financial Statement Findings (Continued)

2010-6	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:	Cause of the condition and correction of the condition will be determined.
2010-7	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 may not have the resources to have an 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. However, we recommend that management continue to increase their knowledge of financial reporting.

Response: The County does not have the resources to hire additional accounting personnel with the knowledge, experience and training solely to prepare governmental financial statements in conformity with Governmental Accounting Standards and the Kansas Municipal Audit Guide. The County does have personnel with sufficient knowledge to understand and take responsibility for the basic financial statements.

CHEROKEE COUNTY, KANSAS
Schedule of Findings and Questioned Costs
For the year ended December 31, 2010

Section III – Federal Awards Findings and Questioned Costs

No findings related to Federal Awards reported.

CRAWFORD COUNTY, KANSAS

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2010

Item	Program Finding	Resolution
2009-1	Segregation of duties	Condition still exists
2009-2	Accounting Manual	Condition still exists
2009-3	Accounts Payable/Encumbrances	Condition still exists
2009-4	Fixed Assets	Condition still exists
2009-5	Internal Control over Federal Awards	Condition still exists
2009-6	Reconciliation of Bank Accounts	Condition still exists
2009-7	Preparation of Financial Statements	Condition still exists

CHEROKEE COUNTY, KANSAS
Corrective Action Plan
For the year ended December 31, 2010

Finding 2010-1, 2010-2, and 2010-4 and 2010-7

The County does not have necessary personnel or additional time with existing personnel to implement or perform these tasks. The County Commission does not consider it feasible to hire additional personnel given the County's current financial condition.

Finding 2010-3

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

Finding 2010-6

Recommendation has been communicated to Department personnel.