CHEROKEE COUNTY, KANSAS

Annual Financial Report

For the year ended December 31, 2008

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, 2008, as listed 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described 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, 2008, or the changes in its financial position for the year then ended.

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, 2008, and its cash receipts and expenditures, and budgetary 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 September 14, 2009 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 conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the County's financial statements listed 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 financial statements of Cherokee County, Kansas. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

Joplin, Missouri
September 14, 2009

CHEROKEE COUNTY, KANSAS
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2008

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	$ 922,211	$ -	$ 5,215,433	$ 5,172,821	$ 964,823	$ 60,095	$ 1,024,918
Special Revenue							
Road and Bridge	541,732		5,109,536	4,845,734	805,534	21,858	827,392
Appraisal	54,173		308,904	295,106	67,971	1,629	69,600
Health	706,792		740,155	633,570	813,377	3,872	817,249
Election	72,939		184,330	146,953	110,316	1,500	111,816
Noxious Weed	19,013		57,555	57,328	19,240	7,330	26,570
Extension Council	14,317		188,095	187,705	14,707	-	14,707
Soil Conservation	2,177		25,058	25,000	2,235	-	2,235
Fair	1,117		11,867	12,000	984	-	984
Ambulance	31,693		536,280	531,600	36,373	-	36,373
Elderly Services	11,759		12,520	20,067	4,212	499	4,711
Mental Health	8,689		104,467	106,090	7,066	-	7,066
Mental Retardation	10,984		101,914	106,090	6,808	-	6,808
Employee Benefits	(54,490)		2,636,261	2,557,092	24,679	1,332	26,011
Out-District Tuition Fund	1,905		13	-	1,918	-	1,918
Special Parks and Recreation	28,952		4,314	16,780	16,486	-	16,486
Special Alcohol	2,077		12,063	11,530	2,610	-	2,610
Landfill	41,258		23,515	23,797	40,976	-	40,976
Tourism and Convention Promotion	500		12,088	12,088	500	-	500
Special Law Enforcement Training	1,652		1,500	2,581	571	-	571
Emergency Telephone Tax	68,510		86,881	55,716	99,675	2,058	101,733
County Attorney Special Law Enforcement	3,597		-	3,500	97	-	97
Register of Deeds Technology Fund	21,639		20,500	13,300	28,839	-	28,839
State Line Road Project	256		1	-	257	-	257
Drug Tax Stamp	2,839		641	2,478	1,002	-	1,002
Special Liability	16,239		401	-	16,640	-	16,640
County Building	887		6	-	893	-	893
Special Bridge	427,715		153,039	117,212	463,542	-	463,542
Special Highway Improvement	1,264		-	-	1,264	-	1,264
Special Road Machinery	100		-	-	100	-	100
Law Library	4,095		18,840	18,940	3,995	-	3,995

CHEROKEE COUNTY, KANSAS
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2008

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	1,214		272	1,088	398	-	398
Drug Free Grant	4,539		-	-	4,539	-	4,539
Prosecuting Attorney Training	2,084		1,355	2,219	1,220	-	1,220
Attorney Application Fee	3,308		-	3,308	-	-	-
Severe Weather Equipment	22		-	-	22	-	22
LEPC Planning and Training	-		20,000	7,304	12,696	-	12,696
Spider Program	1,935		2,940	-	4,875	-	4,875
Domestic Violence/Spouse Abuse	7,500		-	7,500	-	-	-
Emergency Wireless Telephone Tax	75,085		101,739	88,507	88,317	-	88,317
Sheriff Disaster Relief	95		-	95	-	-	-
Sheriff Property Control	1,323		1,492	2,815	-	-	-
Emergency Planning Grant	-		20,500	-	20,500	-	20,500
Debt Service							
Bond and Interest	1,341		-	-	1,341	-	1,341
No Fund Warrant	49,310		259,216	262,554	45,972	-	45,972
	$ 3,115,257	$ -	$ 15,973,691	$ 15,350,468	$ 3,738,480	$ 100,173	$ 3,838,653
Component Units:							
Sewer District No. 1	183,359		100,909	67,151	217,117	5,831	222,948
Total Reporting Entity (Excluding Agency Funds)	$ 3,298,616	$ -	$ 16,074,600	$ 15,417,619	$ 3,955,597	$ 106,004	$ 4,061,601

Composition of Cash	
Cash on Hand	$ 898
Checking Accounts	8,346,836
Savings Accounts	331,361
Certificates of Deposit	3,090,000
Investments	513,835
Total Cash	$ 12,282,930
Agency Funds	(8,221,329)
Total Reporting Entity (Excluding Agency Funds)	$ 4,061,601

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, 2008

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	$ 4,587,565	$ -	$ 4,587,565	$5,172,821	$ 585,256
Special Revenue Funds					
Road and Bridge	3,434,310	1,813,763	5,248,073	4,845,734	$ (402,339)
Appraisal	325,790		325,790	295,106	(30,684)
Health	617,398	437,285	1,054,683	633,570	(421,113)
Election	189,000		189,000	146,953	(42,047)
Noxious Weed	62,750		62,750	57,328	(5,422)
Extension Council	187,705		187,705	187,705	-
Conservation District	25,000		25,000	25,000	-
Fair	12,000		12,000	12,000	-
Ambulance	531,600		531,600	531,600	-
Elderly Services	20,000		20,000	20,067	67
Mental Health	106,090		106,090	106,090	-
Mental Retardation	106,090		106,090	106,090	-
Employee Benefits	2,900,000		2,900,000	2,557,092	(342,908)
Out-District Tuition Fund	-		-	-	-
Special Parks and Recreation	23,981		23,981	16,780	(7,201)
Special Alcohol	11,910		11,910	11,530	(380)
Landfill	202,728		202,728	23,797	(178,931)
Tourism and Promotion	16,000		16,000	12,088	(3,912)
Special Law Enforcement Training	19,750		19,750	2,581	(17,169)
Emergency Telephone Tax	178,342		178,342	55,716	(122,626)
Emergency Wireless Telephone Tax	132,349		132,349	88,507	(43,842)
Debt Service					
Bond and Interest	1,341		1,341	-	(1,341)
No Fund Warrant	262,554		262,554	262,554	-
Component Units:					
Sewer District No. 1	258,234		258,234	67,151	(191,083)

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, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 1,144,183	$ 1,091,623	$ 52,560
Delinquent Tax	38,298	25,000	13,298
Motor Vehicle Tax	184,205	177,431	6,774
16/20 M Vehicle Tax	8,358	5,794	2,564
Recreational Vehicle Tax	2,557	2,694	(137)
Sales Tax	1,991,775	1,732,471	259,304
Local Alcoholic Liquor Fund	4,314	4,679	(365)
Licenses, Permits and Fees	384,641	256,850	127,791
Interest	367,958	430,000	(62,042)
Inmate Housing	541,255	620,000	(78,745)
Grants	503,950	-	503,950
Other	35,109	10,000	25,109
Rents	6,100	4,800	1,300
Donations	2,730	-	2,730
Total Cash Receipts	$ 5,215,433	$ 4,361,342	$ 854,091
Expenditures			
Commission	$ 88,055	$ 92,000	$ (3,945)
County Counselor	25,980	26,000	(20)
Clerk	165,346	156,623	8,723
Treasurer	256,999	180,000	76,999
Attorney	233,150	241,815	(8,665)
Register of Deeds	123,201	123,329	(128)
Sheriff	1,165,520	1,003,993	161,527
Sheriff Overtime	73,650	40,000	33,650
District Court	231,062	236,300	(5,238)
Courthouse	938,649	455,000	483,649
Emergency Preparedness	157,170	78,050	79,120
Economic Development	700	2,300	(1,600)
Planning Commission	5,791	6,300	(509)
Recreation	7,950	12,000	(4,050)
Jail	921,392	515,000	406,392
Data Processing	32,400	25,000	7,400
Jury Costs	5,866	10,000	(4,134)
Juvenile Detention	31,542	75,000	(43,458)
Genealogy Society	7,500	7,500	-
Emergency 911	55,453	82,112	(26,659)
Other	5,505	75,000	(69,495)
Capital Lease Payments on Jail Certificates of Participation	614,395	614,395	-
GIS Programming	15,133	30,000	(14,867)
Contingency	-	135,000	(135,000)
Employee Benefits	-	123,500	(123,500)
Jail Sales Tax Reserve	-	152,690	(152,690)
Contract Services	-	73,000	(73,000)
Capital Lease	10,412	15,658	(5,246)
Total Expenditures	$ 5,172,821	$ 4,587,565	$ 585,256

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
General Fund (Continued)
For the Year Ended December 31, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts Over (Under) Expenditures	$ 42,612		
Unencumbered Cash - Beginning of Year	922,211		
Unencumbered Cash - End of Year	$ 964,823		

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, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 2,026,426	$ 1,933,606	$ 92,820
Delinquent Tax	55,093	45,000	10,093
Motor Vehicle Tax	283,264	305,332	(22,068)
16/20 M Vehicle Tax	10,360	9,971	389
Recreational Vehicle Tax	3,931	4,636	(705)
Special Highway Aid and County Equalization	876,867	935,202	(58,335)
Grants	1,813,763	-	1,813,763
Interest and Other	39,832	2,070	37,762
Total Cash Receipts	$ 5,109,536	$ 3,235,817	$ 1,873,719
Expenditures			
Public works	$ 4,845,734	$ 3,434,310	$ 1,411,424
Adjustment for Qualifying Budget Credits	-	1,813,763	(1,813,763)
Total Expenditures	$ 4,845,734	$ 5,248,073	$ (402,339)
Cash Receipts Over (Under) Expenditures	$ 263,802		
Unencumbered Cash - Beginning of Year	541,732		
Unencumbered Cash - End of Year	$ 805,534		

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, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 260,184	$ 248,167	$ 12,017
Delinquent Tax	7,781	8,000	(219)
Motor Vehicle Tax	36,337	37,589	(1,252)
16/20 M Vehicle Tax	1,450	1,228	222
Recreational Vehicle Tax	504	571	(67)
Fees	2,648	2,000	648
Total Cash Receipts	$ 308,904	$ 297,555	$ 11,349
Expenditures			
General Government	$ 295,106	$ 325,790	$ (30,684)
Cash Receipts Over (Under) Expenditures	$ 13,798		
Unencumbered Cash - Beginning of Year	54,173		
Unencumbered Cash - End of Year	$ 67,971		

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, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 188,453	$ 179,715	$ 8,738
Delinquent Tax	6,162	5,000	1,162
Motor Vehicle Tax	29,996	31,008	(1,012)
16/20 M Vehicle Tax	1,197	1,013	184
Recreational Vehicle Tax	416	471	(55)
Charges for Services	76,646	80,000	(3,354)
Grants	437,285	-	437,285
Total Cash Receipts	$ 740,155	$ 297,207	$ 442,948
Expenditures			
Health	$ 633,570	$ 617,398	$ 16,172
Adjustment for Qualifying Budget Credits	-	437,285	(437,285)
Total Expenditures	$ 633,570	$ 1,054,683	$ (421,113)
Cash Receipts Over (Under) Expenditures	$ 106,585		
Unencumbered Cash - Beginning of Year	706,792		
Unencumbered Cash - End of Year	$ 813,377		

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, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 162,544	$ 155,060	$ 7,484
Delinquent Tax	3,004	200	2,804
Motor Vehicle Tax	18,220	24,609	(6,389)
16/20 M Vehicle Tax	284	804	(520)
Recreational Vehicle Tax	253	374	(121)
Other	25	-	25
Total Cash Receipts	$ 184,330	$ 181,047	$ 3,283
Expenditures			
General Government	$ 146,953	$ 189,000	$ (42,047)
Total Expenditures	$ 146,953	$ 189,000	$ (42,047)
Cash Receipts Over (Under) Expenditures	$ 37,377		
Unencumbered Cash - Beginning of Year	72,939		
Unencumbered Cash - End of Year	$ 110,316		

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, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 49,575	$ 47,256	$ 2,319
Delinquent Tax	1,284	1,200	84
Motor Vehicle Tax	6,423	7,577	(1,154)
16/20 M Vehicle Tax	184	247	(63)
Recreational Vehicle Tax	89	115	(26)
Chemical Sales	-	6,000	(6,000)
Total Cash Receipts	$ 57,555	$ 62,395	$ (4,840)
Expenditures			
Public Works	$ 57,328	$ 62,750	$ (5,422)
Cash Receipts Over (Under) Expenditures	$ 227		
Unencumbered Cash - Beginning of Year	19,013		
Unencumbered Cash - End of Year	$ 19,240		

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, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 160,514	$ 153,057	$ 7,457
Delinquent Tax	4,508	3,500	1,008
Motor Vehicle Tax	21,915	22,935	(1,020)
16/20 M Vehicle Tax	854	749	105
Recreational Vehicle Tax	304	348	(44)
Total Cash Receipts	$ 188,095	$ 180,589	$ 7,506
Expenditures			
Appropriations to Extension Council Treasurer	$ 187,705	$ 187,705	$ -
Cash Receipts Over (Under) Expenditures	$ 390		
Unencumbered Cash - Beginning of Year	14,317		
Unencumbered Cash - End of Year	$ 14,707		

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

Conservation District Fund

For the Year Ended December 31, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 21,010	$ 19,954	$ 1,056
Delinquent Tax	647	550	97
Motor Vehicle Tax	3,224	3,283	(59)
16/20 M Vehicle Tax	132	107	25
Recreational Vehicle Tax	45	50	(5)
Total Cash Receipts	$ 25,058	$ 23,944	$ 1,114
Expenditures			
Appropriation to Conservation District Treasurer	$ 25,000	$ 25,000	$ -
Excess of Cash Receipts Over (Under) Expenditures	$ 58		
Unencumbered Cash - Beginning of Year	2,177		
Unencumbered Cash - End of Year	$ 2,235		

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, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 9,992	$ 9,525	$ 467
Delinquent Tax	302	250	52
Motor Vehicle Tax	1,499	1,635	(136)
16/20 M Vehicle Tax	53	53	-
Recreational Vehicle Tax	21	25	(4)
Total Cash Receipts	$ 11,867	$ 11,488	$ 379
Expenditures			
Appropriation to Fair Treasurer	$ 12,000	$ 12,000	$ -
Excess Cash Receipts Over (Under) Expenditures	$ (133)		
Unencumbered Cash - Beginning of Year	1,117		
Unencumbered Cash - End of Year	$ 984		

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, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 466,387	$ 444,986	$ 21,401
Delinquent Tax	10,409	4,500	5,909
Motor Vehicle Tax	56,593	60,525	(3,932)
16/20 M Vehicle Tax	2,106	1,977	129
Recreational Vehicle Tax	785	919	(134)
Total Cash Receipts	$ 536,280	$ 512,907	$ 23,373
Expenditures			
Appropriation to Ambulance District Treasurers	$ 531,600	$ 531,600	$ -
Cash Receipts Over (Under) Expenditures	$ 4,680		
Unencumbered Cash - Beginning of Year	31,693		
Unencumbered Cash - End of Year	$ 36,373		

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, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 10,250	$ 9,732	$ 518
Delinquent Tax	367	300	67
Motor Vehicle Tax	1,811	1,930	(119)
16/20 M Vehicle Tax	67	63	4
Recreational Vehicle Tax	25	29	(4)
Total Cash Receipts	$ 12,520	$ 12,054	$ 466
Expenditures			
Elderly Programs	$ 20,067	$ 20,000	$ 67
Excess Cash Receipts Over (Under) Expenditures	$ (7,547)		
Unencumbered Cash - Beginning of Year	11,759		
Unencumbered Cash - End of Year	$ 4,212		

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, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 87,885	$ 83,803	$ 4,082
Delinquent Tax	2,659	2,800	(141)
Motor Vehicle Tax	13,207	13,565	(358)
16/20 M Vehicle Tax	533	443	90
Recreational Vehicle Tax	183	206	(23)
Total Cash Receipts	$ 104,467	$ 100,817	$ 3,650
Expenditures			
Public Health	$ 106,090	$ 106,090	$ -
Excess Cash Receipts Over (Under) Expenditures	$ (1,623)		
Unencumbered Cash - Beginning of Year	8,689		
Unencumbered Cash - End of Year	$ 7,066		

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, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 85,066	$ 81,162	$ 3,904
Delinquent Tax	2,675	2,800	(125)
Motor Vehicle Tax	13,452	13,945	(493)
16/20 M Vehicle Tax	534	455	79
Recreational Vehicle Tax	187	212	(25)
Total Cash Receipts	$ 101,914	$ 98,574	$ 3,340
Expenditures			
Public Health	$ 106,090	$ 106,090	$ -
Total Cash Receipts Over (Under) Expenditures	$ (4,176)		
Unencumbered Cash - Beginning of Year	10,984		
Unencumbered Cash - End of Year	$ 6,808		

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, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 1,659,211	$ 1,583,127	$ 76,084
Delinquent Tax	43,592	25,000	18,592
Motor Vehicle Tax	228,189	275,270	(47,081)
16/20 M Vehicle Tax	6,098	8,990	(2,892)
Recreational Vehicle Tax	3,166	4,180	(1,014)
Reimbursements and Other	696,005	1,000,000	(303,995)
Total Cash Receipts	$ 2,636,261	$ 2,896,567	$ (260,306)
Expenditures			
General Government	$ 2,557,092	$ 2,900,000	$ (342,908)
Total Expenditures	$ 2,557,092	$ 2,900,000	$ (342,908)
Excess Cash Receipts Over (Under) Expenditures	$ 79,169		
Unencumbered Cash - Beginning of Year	(54,490)		
Unencumbered Cash - End of Year	$ 24,679		

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, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 1	$ -	$ 1
Delinquent Tax	12	-	12
Total Cash Receipts	$ 13	$ -	$ 13
Expenditures			
Education	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
Cash Receipts Over (Under) Expenditures	$ 13		
Unencumbered Cash - Beginning of Year	1,905		
Unencumbered Cash - End of Year	$ 1,918		

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, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Local Alcoholic Liquor Fund	$ 4,314	$ 4,679	$ (365)
Expenditures			
Recreation	$ 16,780	$ 23,981	$ (7,201)
Excess Cash Receipts Over (Under) Expenditures	$ (12,466)		
Unencumbered Cash - Beginning of Year	28,952		
Unencumbered Cash - End of Year	$ 16,486		

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, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Local Alcoholic Liquor Fund	$ 12,063	$ 11,910	$ 153
Expenditures			
Public Health	$ 11,530	$ 11,910	$ (380)
Excess Cash Receipts Over (Under) Expenditures	$ 533		
Unencumbered Cash - Beginning of Year	2,077		
Unencumbered Cash - End of Year	$ 2,610		

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, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Host Fees	$ 23,515	$ 120,000	$ (96,485)
Expenditures			
Sanitation	$ 23,797	$ 202,728	$ (178,931)
Total Expenditures	$ 23,797	$ 202,728	$ (178,931)
Excess Cash Receipts Over (Under) Expenditures	$ (282)		
Unencumbered Cash - Beginning of Year	41,258		
Unencumbered Cash - End of Year	$ 40,976		

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, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Transient Guest Tax	$ 12,088	$ 15,000	$ (2,912)
Expenditures			
Tourism and Promotion	$ 12,088	$ 16,000	$ (3,912)
Excess 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 - Actual and Budget
Special Law Enforcement Training Fund
For the Year Ended December 31, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Fees	$ 1,500	$ 15,000	$ (13,500)
Expenditures			
Public Safety	$ 2,581	$ 19,750	$ (17,169)
Cash Receipts Over (Under) Expenditures	$ (1,081)		
Unencumbered Cash - Beginning of Year	1,652		
Unencumbered Cash - End of Year	$ 571		

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, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Telephone Tax	$ 86,326	$ 120,000	$ (33,674)
Interest	555	-	555
Total Cash Receipts	$ 86,881	$ 120,000	$ (33,119)
Expenditures			
Capital Lease	$ -	$ 14,789	$ (14,789)
Public Safety	55,716	163,553	(107,837)
Total Expenditures	$ 55,716	$ 178,342	$ (122,626)
Cash Receipts Over (Under) Expenditures	$ 31,165		
Unencumbered Cash - Beginning of Year	68,510		
Unencumbered Cash - End of Year	$ 99,675		

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, 2008

	Actual
Cash Receipts	
Fees	$ -
Expenditures	
Public Safety	$ 3,500
Cash Receipts Over (Under) Expenditures	$ (3,500)
Unencumbered Cash - Beginning of Year	3,597
Unencumbered Cash - End of Year	$ 97

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, 2008

		Actual
Cash Receipts		
Fees	$	20,240
Interest		260
Total Cash Receipts	$	20,500
Expenditures		
General Government	$	13,300
Cash Receipts Over (Under) Expenditures	$	7,200
Unencumbered Cash - Beginning of Year		21,639
Unencumbered Cash - End of Year	$	28,839

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, 2008

	Actual
Cash Receipts	
Interest	$ 1
Expenditures	
Public Works	$ -
Cash Receipts Over (Under) Expenditures	$ 1
Unencumbered Cash - Beginning of Year	256
Unencumbered Cash - End of Year	$ 257

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, 2008

	Actual
Cash Receipts	
Drug Control Payments	$ 641
Expenditures	
Public Safety	$ 2,478
Cash Receipts Over (Under) Expenditures	$ (1,837)
Unencumbered Cash - Beginning of Year	2,839
Unencumbered Cash - End of Year	$ 1,002

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, 2008

	Actual
Cash Receipts	
Ad Valorem Property Tax	$ -
Delinquent Tax	401
Motor Vehicle Tax	-
16/20 M Vehicle Tax	-
Recreational Vehicle Tax	-
Total Cash Receipts	$ 401
Expenditures	
General Government	$ -
Cash Receipts Over (Under) Expenditures	$ 401
Unencumbered Cash - Beginning of Year	16,239
Unencumbered Cash - End of Year	$ 16,640

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures
Building Fund
For the Year Ended December 31, 2008

	Actual
Cash Receipts	
Ad Valorem Property Tax	$ 1
Delinquent Tax	5
Motor Vehicle Tax	-
16/20 M Vehicle Tax	-
Recreational Vehicle Tax	-
Total Cash Receipts	$ 6
Expenditures	
Public Works	$ -
Cash Receipts Over (Under) Expenditures	$ 6
Unencumbered Cash - Beginning of Year	887
Unencumbered Cash - End of Year	$ 893

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, 2008

		Actual
Cash Receipts		
Ad Valorem Property Tax	$	128,112
Delinquent Tax		4,019
Motor Vehicle Tax		19,840
16/20 M Vehicle Tax		793
Recreational Vehicle Tax		275
Total Cash Receipts	$	153,039
Expenditures		
Public Works	$	117,212
Cash Receipts Over (Under) Expenditures	$	35,827
Unencumbered Cash - Beginning of Year		427,715
Unencumbered Cash - End of Year	$	463,542

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, 2008

	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, 2008

	Actual
Cash Receipts	
Transfer from Other Funds	$ -
Expenditures	
Public Works	$ -
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, 2008

	Actual
Cash Receipts	
Fees	$ 18,840
Expenditures	
Public Safety	$ 18,940
Cash Receipts Over (Under) Expenditures	$ (100)
Unencumbered Cash - Beginning of Year	4,095
Unencumbered Cash - End of Year	$ 3,995

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, 2008

	Actual
Cash Receipts	
Federal/State 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, 2008

	Actual
Cash Receipts	
Fees	$ 272
Expenditures	
General Government	$ 1,088
Cash Receipts Over (Under) Expenditures	$ (816)
Unencumbered Cash - Beginning of Year	1,214
Unencumbered Cash - End of Year	$ 398

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, 2008

	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, 2008

	Actual
Cash Receipts	
Fees	$ 1,355
Expenditures	
Public Safety	$ 2,219
Cash Receipts Over (Under) Expenditures	$ (864)
Unencumbered Cash - Beginning of Year	2,084
Unencumbered Cash - End of Year	$ 1,220

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures
Attorney Application Fee Fund
For the Year Ended December 31, 2008

	Actual
Cash Receipts	
Fees	$ -
Other	-
Total Cash Receipts	$ -
Expenditures	
Public Safety	$ 3,308
Cash Receipts Over (Under) Expenditures	$ (3,308)
Unencumbered Cash - Beginning of Year	3,308
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

Severe Weather Equipment

For the Year Ended December 31, 2008

	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, 2008

	Actual
Cash Receipts	
Grant	$ 20,000
Expenditures	
General Government	$ 7,304
Cash Receipts Over (Under) Expenditures	$ 12,696
Unencumbered Cash - Beginning of Year	-
Unencumbered Cash - End of Year	$ 12,696

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, 2008

	Actual
Cash Receipts	
Fees	$ 2,940
Expenditures	
Public Safety	$ -
Cash Receipts Over (Under) Expenditures	$ 2,940
Unencumbered Cash - Beginning of Year	1,935
Unencumbered Cash - End of Year	$ 4,875

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures
Domestic Violence / Spouse Abuse Fund
For the Year Ended December 31, 2008

	Actual
Cash Receipts	
Grant	$ -
Expenditures	
Public Safety	$ 7,500
Total Expenditures	$ 7,500
Cash Receipts Over (Under) Expenditures	$ (7,500)
Unencumbered Cash - Beginning of Year	7,500
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
Emergency Wireless Telephone Tax Fund
For the Year Ended December 31, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Telephone Tax	$ 101,199	$ 78,000	$ 23,199
Interest	540	-	540
Total Cash Receipts	$ 101,739	$ 78,000	$ 23,739
Expenditures			
Public Safety	$ 88,507	$ 132,349	$ (43,842)
Cash Receipts Over (Under) Expenditures	$ 13,232		
Unencumbered Cash - Beginning of Year	75,085		
Unencumbered Cash - End of Year	$ 88,317		

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

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures
Sheriff Disaster Relief Fund
For the Year Ended December 31, 2008

	Actual
Cash Receipts	
Interest	$ -
Expenditures	
Public Safety	$ 95
Cash Receipts Over (Under) Expenditures	$ (95)
Unencumbered Cash - Beginning of Year	95
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
Sheriff Property Control Fund
For the Year Ended December 31, 2008

	Actual
Cash Receipts	
Other	$ 1,492
Expenditures	
Public Safety	$ 2,815
Cash Receipts Over (Under) Expenditures	$ (1,323)
Unencumbered Cash - Beginning of Year	1,323
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
Emergency Planning Grant Fund
For the Year Ended December 31, 2008

	Actual
Cash Receipts	
Grant	$ 20,500
Expenditures	
General Government	$ -
Cash Receipts Over (Under) Expenditures	$ 20,500
Unencumbered Cash - Beginning of Year	-
Unencumbered Cash - End of Year	$ 20,500

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, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ -	$ -	$ -
Expenditures			
Debt Service	$ -	$ 1,341	$ (1,341)
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, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Ad Valorem Property Tax	$ 121,950	$ 109,690	$ 12,260
Delinquent Tax	4,780	-	4,780
Motor Vehicle Tax	7,689	25,881	(18,192)
16/20 M Vehicle Tax	-	845	(845)
Recreational Vehicle Tax	114	393	(279)
Taxes withheld from taxing entities	124,683	125,094	(411)
Total Cash Receipts	$ 259,216	$ 261,903	$ (2,687)
Expenditures			
Principle	$ 215,000	$ 215,000	$ -
Interest	47,554	47,554	-
Total Expenditures	$ 262,554	$ 262,554	$ -
Cash Receipts Over (Under) Expenditures	$ (3,338)		
Unencumbered Cash - Beginning of Year	49,310		
Unencumbered Cash - End of Year	$ 45,972		

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, 2008

	Actual	Budget	Variance Over (Under)
Cash Receipts			
Charges for Services	$ 100,909	$ 95,000	$ 5,909
Expenditures			
Public Works	$ 67,151	$ 258,234	$ (191,083)
Cash Receipts Over (Under) Expenditures	$ 33,758		
Unencumbered Cash - Beginning of Year	183,359		
Unencumbered Cash - End of Year	$ 217,117		

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, 2008

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Kansas Educational Buildings	$ -	$ 152,998	$ 152,998	$ -
Kansas Institutions Buildings	-	76,499	76,499	-
Correctional Institutions	(118)	-	-	(118)
State General Fund	-	150	150	-
Game Licenses	2,644	11,733	11,675	2,702
Temporary Boat Permits	420	7,935	8,292	63
Cereal Malt Beverage Stamps	150	300	275	175
Diversion Supervision Fees	5	-	-	5
Southeast Kansas Library	-	126,367	126,367	-
Unclaimed Monies	11,902	-	-	11,902
Unclaimed Estates	157,756	-	-	157,756
Payroll Tax Withholdings	3	548,461	548,461	3
Sheltered Workshop	9	1	-	10
Vehicle Identification Number	(80)	1,298	718	500
Local Alcoholic Liquor	-	20,691	20,691	-
Information Network of Kansas	113	8	-	121
Bankruptcy	1,865	-	-	1,865
Rural Water District	246	-	-	246
Townships	-	156,610	156,610	-
Cities	1,211	2,618,471	2,617,352	2,330
Schools	-	5,853,844	5,853,844	-
Current Tax	5,069,327	16,107,539	14,464,307	6,712,559
Homestead Holding Account	324	24,982	25,306	-
Long and Short	(74)	-	-	(74)
Partial Payments	2,237	1,911	3,371	777
Redemption Tax	109,910	409,971	384,258	135,623
Delinquent Personnel Tax	(36,873)	50,749	44,991	(31,115)
Judicial Delinquent Personal Tax	2,789	1,866	-	4,655
Foreclosure Redemption Tax	16	-	-	16
Overpayment	33	7,444	7,444	33
Protest Tax	137,725	341,433	227,433	251,725
Heritage Trust	1,116	4,692	5,004	804
Vehicle Tax	502,774	1,890,578	1,848,371	544,981
16/20 M Vehicle Tax	20,288	75,240	56,884	38,644
In Lieu of Tax	550	-	-	550
Vehicle Excise Tax	134	170	-	304
Recreational Vehicle Tax	8,249	(141)	461	7,647
District Court	30,195	591,165	593,883	27,477

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Disbursements
Agency Funds (Continued)
For the Year Ended December 31, 2008

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Sheriff Inmate	$ 8,679	$ 144,149	$ 145,669	$ 7,159
Special Auto	134,672	4,693,540	4,486,208	342,004
Total	$ 6,168,197	$ 33,920,654	$ 31,867,522	$ 8,221,329

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 is 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, 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. 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, 2008 were 22,020. 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 2008 for purposes of taxation was $136,028,072.

The tax levy per $100.00 of assessed valuation of tangible property for the calendar year was $5.29. 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

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

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)

Inventory records prepared annually by department heads, compiled by the County Clerk and inspected by the board were not performed. (KSA 19-2687)

Proper interest was not collected by the County Sheriff on personal property tax warrants. (KSA 79-2101)

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

The County Attorney did not review and give approval to claims presented for payment. (KSA 19-716)

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 General Fund and Employee Benefits Fund expenditures exceeded budget limits. (KSA 79-2935)

III. DETAILED NOTES ON FUNDS AND ACCOUNTS

III. A. Deposits and Investments

As of December 31, 2008, the County had the following investments and maturities.

Investment Type	Fair Value	Cost
Financial Square Trust Treasury Obligation Fund Admin CL 469 (Mutual Fund)	$ 513,835	$ 513,835

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, 2008, the County's carrying amount of deposits was $11,768,197 and the bank balance was $11,670,110. Eighty-eight percent of the bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $2,580,092 was covered by federal depository insurance, $7,000,000 was covered by irrevocable letters of credit, and $2,090,018 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:

General Fund -	
Series 2005 Refunding Certificates of Participation -	
Principle and Interest Account	$ 1
Reserve Account	513,834
Total	$ 513,835

IV. LONG-TERM DEBT

Changes in long-term debt for the year ended December 31, 2008 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	$ 460,000	$ -	$ 115,000	$ 345,000
2006B	500,000	5.00%	9-06-2006	9-01-2011	400,000	-	100,000	300,000
Capital Leases								
John Deere Backhoes (2)	93,650	4.75%	8-15-2007	4-15-2012	93,650	-	17,268	76,382
AS400 Computer	29,688	3.31/5.56%	3-01-2007	7-01-2009	19,977	-	9,796	10,181
File Server	14,312	3.42%	8-22-2006	8-22-2008	5,068	-	5,068	-
Sterling Dump Trucks (8)	350,242	6.95%	11-17-2006	11-17-2011	289,266	-	65,159	224,107
Road Graders (12)	1,644,800	4.40%	6-05-2007	6-05-2013	1,644,800	-	205,782	1,439,018
John Deere Tractors and Mowers (4)	281,000	4.35%	8-10-2008	8-10-2013	-	285,239	-	285,239
Certificates of Participation								
Series 2005	7,150,000	2.55/5.00%	4-01-2005	11-15-2021	6,325,000	-	350,000	5,975,000
Totals					$ 9,237,761	$ 285,239	$ 868,073	$ 8,654,927

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	2009	2010	2011	2012	2013	2014-2018	2019-2021	Total
No Fund Warrants	$ 215,000	$ 215,000	$ 215,000	$ -	$ -	$ -	$ -	$ 645,000
Capital Leases	363,417	372,297	390,772	324,883	583,558	-	-	2,034,927
Certificates of Participation	360,000	375,000	385,000	400,000	415,000	2,335,000	1,705,000	5,975,000
Total Principal	$ 938,417	$ 962,297	$ 990,772	$ 724,883	$ 998,558	$2,335,000	$1,705,000	$ 8,654,927
Interest								
No Fund Warrants	$ 35,666	$ 23,777	$ 11,889	$ -	$ -	$ -	$ -	$ 71,332
Capital Leases	94,360	76,557	58,082	38,654	24,828	-	-	292,481
Certificates of Participation	253,545	241,665	228,728	215,060	200,060	743,380	174,250	2,056,688
Total Interest	$ 383,571	$ 341,999	$ 298,699	$ 253,714	$ 224,888	$ 743,380	$ 174,250	$ 2,420,501
Total Principal and Interest	$1,321,988	$ 1,304,296	$ 1,289,471	$ 978,597	$ 1,223,446	$3,078,380	$1,879,250	$ 11,075,428

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 2008 is 5.93%. Cherokee County, Kansas's employer contributions to KPERS for the years ending December 31, 2008, 2007, and 2006, were $226,381, $198,043, and $167,399 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 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 exceed 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.

CHEROKEE COUNTY, KANSAS
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2008

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		$ 293,278
U.S. Department of Health and Human Services			
Passed-through Kansas Department of Health and Environment			
Immunization Grants	93.268		$ 12,233
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283		38,675
Maternal and Child Health Services Block Grants to the States	93.994		22,732
Total U.S. Department of Health and Human Services			$ 73,640
U.S. Department of Homeland Security			
Passed-through Kansas Adjutant General			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		$ 1,606,524
Hazard Mitigation Grants	97.039		199,632
Emergency Management Performance Grants	97.042		12,500
Citizens Corps	97.053		10,000
Total U.S. Department of Homeland Security			$ 1,828,656
U.S. Department of Transportation			
Passed-through Kansas Department of Transportation			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601		$ 1,438
Passed-through Kansas Adjutant General			
Inter Agency Hazardous Materials Public Sector Training and Planning Grants	20.703		7,282
Total U.S. Department of Transportation			$ 8,720
Total Expenditures of Federal Funds			$ 2,204,294

See accompanying notes to Schedule of Expenditures of Federal Awards.

CHEROKEE COUNTY, KANSAS
Notes to the Schedule of Expenditures of Federal Awards
For the year ended December 31, 2008

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Cherokee County, Kansas and 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. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organization.* Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

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CHRIS D. CHURCHWELL, C.P.A.
EUGENE M. MENSE III, C.P.A.

INDEPENDENT AUDITORS' 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*

Board of County Commissioners
Cherokee County, Kansas

We have audited the financial statements of Cherokee County, Kansas as of and for the year ended December 31, 2008, and have issued our report thereon dated September 14, 2009. 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

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. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Cherokee County, Kansas's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Cherokee County Kansas's financial statements that is more than inconsequential will not be prevented or detected by Cherokee County, Kansas's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. 2008-1 through 2008-7

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Cherokee County, Kansas's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-1, 2008-4, and 2008-6 to be material weaknesses.

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 September 14, 2009.

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, 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
September 14, 2009

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CHRIS D. CHURCHWELL, C.P.A.
EUGENE M. MENSE III, C.P.A.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Cherokee County, Kansas

Compliance

We have audited the compliance of Cherokee County, Kansas with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Cherokee County, Kansas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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, 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 these specified parties.

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

Joplin, Missouri
September 14, 2009

CHEROKEE COUNTY, KANSAS
Schedule of Findings and Questioned Costs
For the year ended December 31, 2008

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
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, 2008

Section II - Financial Statement Findings

2008-1	Segregation of Duties
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.
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.
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.
2008-2	Accounting Manual
Condition:	Cherokee County does not have an accounting manual.
Criteria:	The County should prepare an accounting manual that would inform all employees of desired operating procedures and policies.
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.

CHEROKEE COUNTY, KANSAS
Schedule of Findings and Questioned Costs
For the year ended December 31, 2008

Section II - Financial Statement Findings (Continued)

2008-3	Accounts Payable/Encumbrances
Condition:	No record of encumbrances/accounts payable are maintained.
Criteria:	The County should maintain a record of encumbrances/ accounts payable for each fund.
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 abut such a program and will evaluate feasibility.
2008-4	Fixed Assets
Condition:	No record of Fixed Assets owned by the County exists.
Criteria:	The County should maintain a record of fixed assets.
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)

2008-5	Internal Control Over Federal Awards
Condition:	No centralized record of Federal Financial Awards exists.
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.
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)

2008-6	Reconciliation of Bank Accounts
Condition:	The Special Auto – Motor Vehicle Account and the County Treasurer's account at American Bank are not being reconciled.
Criteria:	Bank accounts should be reconciled monthly.
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.
2008-7	Design of internal control system for preparation of the basic financial statements
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.
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.
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, 2008

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, 2008

Item	Program Finding	Resolution
2007-1	Segregation of duties.	Condition still exists
2007-2	Accounting Manual	Condition still exists
2007-3	Accounts Payable/Encumbrances	Condition still exists
2007-4	Fixed Assets	Condition still exists
2007-5	Internal Control over Federal Awards	Condition still exists
2007-6	Reconciliation of Bank Accounts	Condition still exists in the County Treasurer's Office. The bank accounts maintained by the County Sheriff's Office have been closed.

CHEROKEE COUNTY, KANSAS
Corrective Action Plan
For the year ended December 31, 2008

Finding 2008-1, 2008-2, and 2008-4

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 2008-3

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

Finding 2008-6

Recommendation has been communicated to Department personnel.