

CHEROKEE COUNTY, KANSAS

Annual Financial Report

For the year ended December 31, 2007

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

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| INTRODUCTORY SECTION | |
| • Title Page | |
| • Table of Contents | i-iii |
| FINANCIAL SECTION | |
| • Independent Auditor's Report | 1-2 |
| • Summary of Cash Receipts, Expenditures, and Unencumbered Cash | 3-4 |
| • Summary of Expenditures – Actual and Budget | 5 |
| • Statement of Cash Receipts and Expenditures – Actual and Budget | |
| General Fund | 6-7 |
| Road and Bridge Fund | 8 |
| Appraisal Fund | 9 |
| Health Fund | 10 |
| Election Fund | 11 |
| Noxious Weed Fund | 12 |
| Extension Council Fund | 13 |
| Conservation District Fund | 14 |
| Fair Fund | 15 |
| Ambulance Fund | 16 |
| Elderly Services Fund | 17 |
| Mental Health Fund | 18 |
| Mental Retardation Fund | 19 |
| Employee Benefits Fund | 20 |
| Out-District Tuition Fund | 21 |
| Special Parks and Recreation Fund | 22 |
| Special Alcohol Fund | 23 |
| Landfill Fund | 24 |
| Tourism and Convention Promotion Fund | 25 |
| Special Law Enforcement Training Fund | 26 |
| Emergency Telephone Tax Fund | 27 |
| County Attorney Special Law Enforcement Fund | 28 |
| Register of Deeds Technology Fund | 29 |
| State Line Road Fund | 30 |

TABLE OF CONTENTS
(CONTINUED)

| | <u>Page</u> |
|--|-------------|
| FINANCIAL SECTION (CONTINUED) | |
| Drug Tax Stamp Fund | 31 |
| Special Liability Fund | 32 |
| Building Fund | 33 |
| Special Bridge Fund | 34 |
| Special Highway Improvement Fund | 35 |
| Special Road Machinery Fund | 36 |
| Law Library Fund | 37 |
| Electronic Monitoring Fund | 38 |
| Bad Check Fee Fund | 39 |
| Drug Free Grant Fund | 40 |
| Prosecuting Attorney Training Fund | 41 |
| Attorney Application Fee Fund | 42 |
| Severe Weather Equipment Fund | 43 |
| Accelerator Grant Fund | 44 |
| Spider Program Fund | 45 |
| Domestic Violence/Spouse Abuse Fund | 46 |
| Emergency Wireless Telephone Tax | 47 |
| Sheriff Disaster Relief Fund | 48 |
| Sheriff Property Control Fund | 49 |
| Bond and Interest Fund | 50 |
| No Fund Warrant Fund | 51 |
| Sewer District No. 1 Fund | 52 |
| • Statement of Cash Receipts and Disbursements – Agency Funds | 53-54 |
| • Notes to the Financial Statements | 55-71 |
| FEDERAL FINANCIAL ASSISTANCE SECTION | |
| Schedule of Expenditures of Federal Awards | 72 |
| Notes to the Schedule of Expenditures of Federal Awards | 73 |

TABLE OF CONTENTS
(CONTINUED)

| FINANCIAL SECTION (CONTINUED) | <u>Page</u> |
|---|-------------|
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> | 74-75 |
| Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 | 76-77 |
| Schedule of Findings and Questioned Costs | 78-83 |
| Summary Schedule of Prior Audit Findings | 84 |
| Corrective Action Plan | 85 |



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

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

INDEPENDENT AUDITOR'S REPORT

To the 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, 2007, 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, 2007, 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, 2007, 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 22, 2008 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 22, 2008

CHEROKEE COUNTY, KANSAS
 Summary of Cash Receipts, Expenditures and Unencumbered Cash
 For the Year Ended December 31, 2007

| 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 | \$ 877,216 | \$ - | \$ 4,525,842 | \$ 4,480,847 | \$ 922,211 | \$ 78,899 | \$ 1,001,110 |
| Special Revenue | | | | | | | |
| Road and Bridge | 225,435 | | 3,308,053 | 2,991,756 | 541,732 | 56,255 | 597,987 |
| Appraisal | 77,165 | | 281,795 | 304,787 | 54,173 | 29,043 | 83,216 |
| Health | 620,383 | | 674,795 | 588,386 | 706,792 | 4,001 | 710,793 |
| Election | 21,256 | | 158,130 | 106,447 | 72,939 | - | 72,939 |
| Noxious Weed | 4,157 | | 52,331 | 37,475 | 19,013 | 99 | 19,112 |
| Extension Council | 19,957 | | 167,310 | 172,950 | 14,317 | - | 14,317 |
| Soil Conservation | 2,834 | | 24,343 | 25,000 | 2,177 | - | 2,177 |
| Fair | 1,348 | | 11,769 | 12,000 | 1,117 | - | 1,117 |
| Ambulance | 31,589 | | 426,704 | 426,600 | 31,693 | - | 31,693 |
| Elderly Services | 14,592 | | 14,076 | 16,909 | 11,759 | 1,362 | 13,121 |
| Mental Health | 12,073 | | 99,616 | 103,000 | 8,689 | - | 8,689 |
| Mental Retardation | 12,095 | | 101,889 | 103,000 | 10,984 | - | 10,984 |
| Employee Benefits | (15,030) | | 2,993,993 | 3,033,453 | (54,490) | 1,191 | (53,299) |
| Out-District Tuition Fund | - | | 3,304 | 1,399 | 1,905 | - | 1,905 |
| Special Parks and Recreation | 26,852 | | 4,080 | 1,980 | 28,952 | - | 28,952 |
| Special Alcohol | - | | 10,977 | 8,900 | 2,077 | - | 2,077 |
| Landfill | 22,728 | | 39,674 | 21,144 | 41,258 | - | 41,258 |
| Tourism and Convention Promotion | - | | 8,160 | 7,660 | 500 | - | 500 |
| Special Law Enforcement Training | 4,750 | | 1,200 | 4,298 | 1,652 | - | 1,652 |
| Emergency Telephone Tax | 78,342 | | 82,768 | 92,600 | 68,510 | - | 68,510 |
| County Attorney Special Law Enforcement | 3,597 | | - | - | 3,597 | - | 3,597 |
| Register of Deeds Technology Fund | 30,851 | | 28,902 | 38,114 | 21,639 | - | 21,639 |
| State Line Road Project | 254 | | 2 | - | 256 | - | 256 |
| Drug Tax Stamp | 2,839 | | - | - | 2,839 | - | 2,839 |
| Special Liability | 16,405 | | 220 | 386 | 16,239 | - | 16,239 |
| County Building | 228 | | 659 | - | 887 | - | 887 |
| Special Bridge | 411,066 | | 150,571 | 133,922 | 427,715 | - | 427,715 |
| Special Highway Improvement | 1,264 | | - | - | 1,264 | - | 1,264 |
| Special Road Machinery | 100 | | - | - | 100 | - | 100 |
| Law Library | 4,919 | | 15,705 | 16,529 | 4,095 | - | 4,095 |

CHEROKEE COUNTY, KANSAS
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2007

| 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 | 1,441 | | 210 | 437 | 1,214 | - | 1,214 |
| Drug Free Grant | 4,539 | | - | - | 4,539 | - | 4,539 |
| Prosecuting Attorney Training | 3,082 | | 1,293 | 2,291 | 2,084 | - | 2,084 |
| Attorney Application Fee | 3,008 | | 300 | - | 3,308 | - | 3,308 |
| Severe Weather Equipment | 22 | | - | - | 22 | - | 22 |
| Accelerator Grant | 2,500 | | - | 2,500 | - | - | - |
| Spider Program | 435 | | 1,500 | - | 1,935 | - | 1,935 |
| Domestic Violence/Spouse Abuse | 1,667 | | 5,833 | - | 7,500 | - | 7,500 |
| Emergency Wireless Telephone Tax | 53,349 | | 34,239 | 12,503 | 75,085 | - | 75,085 |
| Sheriff Disaster Relief | 94 | | 1 | - | 95 | - | 95 |
| Sheriff Property Control | 344 | | 4,948 | 3,969 | 1,323 | - | 1,323 |
| Debt Service | | | | | | | |
| Bond and Interest | 1,341 | | - | - | 1,341 | - | 1,341 |
| No Fund Warrant | - | | 323,753 | 274,443 | 49,310 | - | 49,310 |
| | <u>\$ 2,581,997</u> | <u>\$ -</u> | <u>\$ 13,558,945</u> | <u>\$ 13,025,685</u> | <u>\$ 3,115,257</u> | <u>\$ 170,850</u> | <u>\$ 3,286,107</u> |
| Component Units: | | | | | | | |
| Sewer District No. 1 | 193,234 | | 89,447 | 99,322 | 183,359 | 2,585 | 185,944 |
| Total Reporting Entity (Excluding Agency Funds) | <u><u>\$ 2,775,231</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 13,648,392</u></u> | <u><u>\$ 13,125,007</u></u> | <u><u>\$ 3,298,616</u></u> | <u><u>\$ 173,435</u></u> | <u><u>\$ 3,472,051</u></u> |
| Composition of Cash | | | | | | | |
| Cash on Hand | | | | | | | \$ 898 |
| Checking Accounts | | | | | | | 6,568,679 |
| Savings Accounts | | | | | | | 147,416 |
| Certificates of Deposit | | | | | | | 2,390,000 |
| Investments | | | | | | | 533,255 |
| Total Cash | | | | | | | <u>\$ 9,640,248</u> |
| Agency Funds | | | | | | | <u>(6,168,197)</u> |
| Total Reporting Entity (Excluding Agency Funds) | | | | | | | <u><u>\$ 3,472,051</u></u> |

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, 2007

| 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 | \$ 4,438,324 | \$ - | \$ 4,438,324 | \$4,480,847 | \$ 42,523 |
| Special Revenue Funds | | | | | |
| Road and Bridge | 3,049,632 | 240,688 | 3,290,320 | 2,991,756 | \$ (298,564) |
| Appraisal | 317,000 | | 317,000 | 304,787 | (12,213) |
| Health | 596,989 | 348,175 | 945,164 | 588,386 | (356,778) |
| Election | 164,000 | - | 164,000 | 106,447 | (57,553) |
| Noxious Weed | 60,000 | | 60,000 | 37,475 | (22,525) |
| Extension Council | 172,950 | | 172,950 | 172,950 | - |
| Conservation District | 25,000 | | 25,000 | 25,000 | - |
| Fair | 12,000 | | 12,000 | 12,000 | - |
| Ambulance | 426,600 | | 426,600 | 426,600 | - |
| Elderly Services | 20,000 | | 20,000 | 16,909 | (3,091) |
| Mental Health | 103,000 | | 103,000 | 103,000 | - |
| Mental Retardation | 103,000 | | 103,000 | 103,000 | - |
| Employee Benefits | 2,761,059 | 154,982 | 2,916,041 | 3,033,453 | 117,412 |
| Out-District Tuition Fund | 94,214 | | 94,214 | 1,399 | (92,815) |
| Special Parks and Recreation | 20,856 | | 20,856 | 1,980 | (18,876) |
| Special Alcohol | 8,900 | | 8,900 | 8,900 | - |
| Landfill | 269,185 | | 269,185 | 21,144 | (248,041) |
| Tourism and Promotion | 14,000 | | 14,000 | 7,660 | (6,340) |
| Special Law Enforcement Training | 25,000 | | 25,000 | 4,298 | (20,702) |
| Emergency Telephone Tax | 216,671 | | 216,671 | 92,600 | (124,071) |
| Emergency Wireless Telephone Tax | 53,234 | | 53,234 | 12,503 | (40,731) |
| Debt Service | | | | | |
| Bond and Interest | 1,341 | | 1,341 | - | (1,341) |
| No Fund Warrant | 275,094 | | 275,094 | 274,443 | (651) |
| Component Units: | | | | | |
| Sewer District No. 1 | 216,995 | | 216,995 | 99,322 | (117,673) |

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, 2007

| | Actual | Budget | Variance Over (Under) |
|--------------------------------|---------------------|---------------------|-----------------------------|
| Cash Receipts | | | |
| Ad Valorem Property Tax | \$ 1,081,833 | \$ 1,028,363 | \$ 53,470 |
| Delinquent Tax | 41,957 | 25,000 | 16,957 |
| Motor Vehicle Tax | 196,391 | 222,967 | (26,576) |
| 16/20 M Vehicle Tax | 9,314 | 5,353 | 3,961 |
| Recreational Vehicle Tax | 3,013 | 3,470 | (457) |
| Sales Tax | 1,675,837 | 1,782,574 | (106,737) |
| Local Alcoholic Liquor Fund | 4,080 | 4,450 | (370) |
| Licenses, Permits and Fees | 266,875 | 230,350 | 36,525 |
| Interest | 446,248 | 315,000 | 131,248 |
| Inmate Housing | 740,955 | 340,000 | 400,955 |
| Transfers In | 11,012 | - | 11,012 |
| Other | 42,152 | 10,000 | 32,152 |
| Rents | 6,175 | - | 6,175 |
| Total Cash Receipts | \$ 4,525,842 | \$ 3,967,527 | \$ 558,315 |
| Expenditures | | | |
| Commission | \$ 87,500 | \$ 79,500 | \$ 8,000 |
| County Counselor | 25,371 | 24,000 | 1,371 |
| Clerk | 143,252 | 148,623 | (5,371) |
| Treasurer | 154,865 | 175,000 | (20,135) |
| Attorney | 254,311 | 234,772 | 19,539 |
| Register of Deeds | 114,236 | 114,502 | (266) |
| Sheriff | 1,091,737 | 974,750 | 116,987 |
| Sheriff Overtime | 59,753 | 40,000 | 19,753 |
| District Court | 223,784 | 228,300 | (4,516) |
| Courthouse | 575,894 | 455,000 | 120,894 |
| Emergency Preparedness | 56,812 | 46,600 | 10,212 |
| Economic Development | 900 | 2,300 | (1,400) |
| Planning Commission | 5,791 | 6,300 | (509) |
| Recreation | 8,272 | 12,000 | (3,728) |
| Jail | 871,155 | 500,000 | 371,155 |
| Data Processing | 16,986 | 25,000 | (8,014) |
| Jury Costs | 3,344 | 10,000 | (6,656) |
| Juvenile Detention | 61,057 | 75,000 | (13,943) |
| Genealogy Society | 6,500 | 6,500 | - |
| Emergency 911 | 68,508 | 82,112 | (13,604) |
| Other | 410 | 73,000 | (72,590) |
| Capital Lease Payments on Jail | | | |
| Certificates of Participation | 614,151 | 614,085 | 66 |
| GIS Programming | 17,977 | 20,000 | (2,023) |
| Contingency | - | 135,000 | (135,000) |
| Employee Benefits | - | 123,500 | (123,500) |
| Jail Sales Tax Reserve | - | 160,480 | (160,480) |
| Corrections Construction | - | 72,000 | (72,000) |
| Capital Lease | 18,281 | - | 18,281 |
| Total Expenditures | \$ 4,480,847 | \$ 4,438,324 | \$ 42,523 |

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
General Fund (Continued)
For the Year Ended December 31, 2007

| | Actual | Budget | Variance Over (Under) |
|---|------------|--------|-----------------------------|
| Cash Receipts Over (Under) Expenditures | \$ 44,995 | | |
| Unencumbered Cash - Beginning of Year | 877,216 | | |
| Unencumbered Cash - End of Year | \$ 922,211 | | |

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, 2007

| | Actual | Budget | Variance Over (Under) |
|---|---------------------|---------------------|-----------------------------|
| Cash Receipts | | | |
| Ad Valorem Property Tax | \$ 1,869,872 | \$ 1,769,644 | \$ 100,228 |
| Delinquent Tax | 58,375 | 45,000 | 13,375 |
| Motor Vehicle Tax | 219,403 | 276,383 | (56,980) |
| 16/20 M Vehicle Tax | 7,445 | 6,636 | 809 |
| Recreational Vehicle Tax | 3,404 | 4,303 | (899) |
| Special Highway Aid and County Equalization | 905,292 | 922,666 | (17,374) |
| Grants | 240,688 | - | 240,688 |
| Interest and Other | 3,574 | 25,000 | (21,426) |
| | <u>\$ 3,308,053</u> | <u>\$ 3,049,632</u> | <u>\$ 258,421</u> |
| Expenditures | | | |
| Public works | \$ 2,991,756 | \$ 3,049,632 | \$ (57,876) |
| Adjustment for Qualifying Budget Credits | - | 240,688 | (240,688) |
| | <u>\$ 2,991,756</u> | <u>\$ 3,290,320</u> | <u>\$ (298,564)</u> |
| Cash Receipts Over (Under) Expenditures | \$ 316,297 | | |
| Unencumbered Cash - Beginning of Year | <u>225,435</u> | | |
| Unencumbered Cash - End of Year | <u>\$ 541,732</u> | | |

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, 2007

| | Actual | Budget | Variance Over (Under) |
|---|-------------|------------|-----------------------------|
| Cash Receipts | | | |
| Ad Valorem Property Tax | \$ 231,058 | \$ 217,856 | \$ 13,202 |
| Delinquent Tax | 8,954 | 8,000 | 954 |
| Motor Vehicle Tax | 34,644 | 38,683 | (4,039) |
| 16/20 M Vehicle Tax | 1,712 | 929 | 783 |
| Recreational Vehicle Tax | 531 | 602 | (71) |
| Fees | 4,896 | 5,000 | (104) |
| Total Cash Receipts | \$ 281,795 | \$ 271,070 | \$ 10,725 |
| Expenditures | | | |
| General Government | \$ 304,787 | \$ 317,000 | \$ (12,213) |
| Cash Receipts Over (Under) Expenditures | \$ (22,992) | | |
| Unencumbered Cash - Beginning of Year | 77,165 | | |
| Unencumbered Cash - End of Year | \$ 54,173 | | |

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, 2007

| | Actual | Budget | Variance Over (Under) |
|--|-------------------|-------------------|-----------------------------|
| Cash Receipts | | | |
| Ad Valorem Property Tax | \$ 189,441 | \$ 179,715 | \$ 9,726 |
| Delinquent Tax | 7,142 | 6,000 | 1,142 |
| Motor Vehicle Tax | 27,665 | 31,936 | (4,271) |
| 16/20 M Vehicle Tax | 1,253 | 767 | 486 |
| Recreational Vehicle Tax | 426 | 497 | (71) |
| Charges for Services | 100,693 | 60,000 | 40,693 |
| Federal/State Grants | 348,175 | - | 348,175 |
| | <u>\$ 674,795</u> | <u>\$ 278,915</u> | <u>\$ 395,880</u> |
| Expenditures | | | |
| Health | \$ 588,386 | \$ 596,989 | \$ (8,603) |
| Adjustment for Qualifying Budget Credits | - | 348,175 | (348,175) |
| | <u>\$ 588,386</u> | <u>\$ 945,164</u> | <u>\$ (356,778)</u> |
| Cash Receipts Over (Under) Expenditures | \$ 86,409 | | |
| Unencumbered Cash - Beginning of Year | 620,383 | | |
| Unencumbered Cash - End of Year | \$ 706,792 | | |

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, 2007

| | Actual | Budget | Variance Over (Under) |
|---|-------------------|-------------------|-----------------------------|
| Cash Receipts | | | |
| Ad Valorem Property Tax | \$ 151,517 | \$ 142,631 | \$ 8,886 |
| Delinquent Tax | 1,699 | 200 | 1,499 |
| Motor Vehicle Tax | 4,837 | 7,567 | (2,730) |
| 16/20 M Vehicle Tax | - | 182 | (182) |
| Recreational Vehicle Tax | 77 | 118 | (41) |
| Transfers In | - | - | - |
| | <u>\$ 158,130</u> | <u>\$ 150,698</u> | <u>\$ 7,432</u> |
| Expenditures | | | |
| General Government | \$ 106,447 | \$ 164,000 | \$ (57,553) |
| | <u>\$ 106,447</u> | <u>\$ 164,000</u> | <u>\$ (57,553)</u> |
| Cash Receipts Over (Under) Expenditures | \$ 51,683 | | |
| Unencumbered Cash - Beginning of Year | 21,256 | | |
| Unencumbered Cash - End of Year | \$ 72,939 | | |

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, 2007

| | Actual | Budget | Variance Over (Under) |
|---|------------------|------------------|-----------------------------|
| Cash Receipts | | | |
| Ad Valorem Property Tax | \$ 46,520 | \$ 43,917 | \$ 2,603 |
| Delinquent Tax | 1,227 | 1,100 | 127 |
| Motor Vehicle Tax | 4,314 | 4,888 | (574) |
| 16/20 M Vehicle Tax | 204 | 117 | 87 |
| Recreational Vehicle Tax | 66 | 76 | (10) |
| Chemical Sales | - | 6,500 | (6,500) |
| | <u>\$ 52,331</u> | <u>\$ 56,598</u> | <u>\$ (4,267)</u> |
| Expenditures | | | |
| Public Works | \$ 37,475 | \$ 60,000 | \$ (22,525) |
| | <u>\$ 14,856</u> | | |
| Cash Receipts Over (Under) Expenditures | | | |
| | \$ 14,856 | | |
| Unencumbered Cash - Beginning of Year | 4,157 | | |
| Unencumbered Cash - End of Year | \$ 19,013 | | |

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, 2007

| | Actual | Budget | Variance Over (Under) |
|---|------------|------------|-----------------------------|
| Cash Receipts | | | |
| Ad Valorem Property Tax | \$ 141,119 | \$ 132,929 | \$ 8,190 |
| Delinquent Tax | 5,051 | 3,800 | 1,251 |
| Motor Vehicle Tax | 19,911 | 22,778 | (2,867) |
| 16/20 M Vehicle Tax | 923 | 547 | 376 |
| Recreational Vehicle Tax | 306 | 355 | (49) |
| Total Cash Receipts | \$ 167,310 | \$ 160,409 | \$ 6,901 |
| Expenditures | | | |
| Appropriations to Extension Council Treasurer | \$ 172,950 | \$ 172,950 | \$ - |
| Cash Receipts Over (Under) Expenditures | \$ (5,640) | | |
| Unencumbered Cash - Beginning of Year | 19,957 | | |
| Unencumbered Cash - End of Year | \$ 14,317 | | |

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, 2007

| | Actual | Budget | Variance Over (Under) |
|---|-----------|-----------|-----------------------------|
| Cash Receipts | | | |
| Ad Valorem Property Tax | \$ 20,256 | \$ 19,029 | \$ 1,227 |
| Delinquent Tax | 757 | 540 | 217 |
| Motor Vehicle Tax | 3,131 | 3,504 | (373) |
| 16/20 M Vehicle Tax | 151 | 84 | 67 |
| Recreational Vehicle Tax | 48 | 55 | (7) |
| Total Cash Receipts | \$ 24,343 | \$ 23,212 | \$ 1,131 |
| Expenditures | | | |
| Appropriation to Conservation District Treasurer | \$ 25,000 | \$ 25,000 | \$ - |
| Excess of Cash Receipts Over (Under) Expenditures | \$ (657) | | |
| Unencumbered Cash - Beginning of Year | 2,834 | | |
| Unencumbered Cash - End of Year | \$ 2,177 | | |

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, 2007

| | Actual | Budget | Variance Over (Under) |
|--|-----------|-----------|-----------------------------|
| Cash Receipts | | | |
| Ad Valorem Property Tax | \$ 10,131 | \$ 9,477 | \$ 654 |
| Delinquent Tax | 326 | 275 | 51 |
| Motor Vehicle Tax | 1,234 | 1,382 | (148) |
| 16/20 M Vehicle Tax | 59 | 33 | 26 |
| Recreational Vehicle Tax | 19 | 22 | (3) |
| Total Cash Receipts | \$ 11,769 | \$ 11,189 | \$ 580 |
| Expenditures | | | |
| Appropriation to Fair Treasurer | \$ 12,000 | \$ 12,000 | \$ - |
| Excess Cash Receipts Over (Under) Expenditures | \$ (231) | | |
| Unencumbered Cash - Beginning of Year | 1,348 | | |
| Unencumbered Cash - End of Year | \$ 1,117 | | |

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, 2007

| | Actual | Budget | Variance Over (Under) |
|--|------------|------------|-----------------------------|
| Cash Receipts | | | |
| Ad Valorem Property Tax | \$ 371,213 | \$ 350,791 | \$ 20,422 |
| Delinquent Tax | 10,370 | 4,500 | 5,870 |
| Motor Vehicle Tax | 43,191 | 56,188 | (12,997) |
| 16/20 M Vehicle Tax | 1,257 | 1,349 | (92) |
| Recreational Vehicle Tax | 673 | 875 | (202) |
| Total Cash Receipts | \$ 426,704 | \$ 413,703 | \$ 13,001 |
| Expenditures | | | |
| Appropriation to Ambulance District Treasurers | \$ 426,600 | \$ 426,600 | \$ - |
| Cash Receipts Over (Under) Expenditures | \$ 104 | | |
| Unencumbered Cash - Beginning of Year | 31,589 | | |
| Unencumbered Cash - End of Year | \$ 31,693 | | |

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, 2007

| | Actual | Budget | Variance Over (Under) |
|--|------------------|------------------|-----------------------------|
| Cash Receipts | | | |
| Ad Valorem Property Tax | \$ 11,953 | \$ 11,184 | \$ 769 |
| Delinquent Tax | 417 | - | 417 |
| Motor Vehicle Tax | 1,605 | 1,799 | (194) |
| 16/20 M Vehicle Tax | 77 | 43 | 34 |
| Recreational Vehicle Tax | 24 | 28 | (4) |
| | <u>\$ 14,076</u> | <u>\$ 13,054</u> | <u>\$ 1,022</u> |
| Expenditures | | | |
| Elderly Programs | \$ 16,909 | \$ 20,000 | \$ (3,091) |
| Excess Cash Receipts Over (Under) Expenditures | \$ (2,833) | | |
| Unencumbered Cash - Beginning of Year | <u>14,592</u> | | |
| Unencumbered Cash - End of Year | <u>\$ 11,759</u> | | |

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, 2007

| | Actual | Budget | Variance Over (Under) |
|--|-------------------|------------------|-----------------------------|
| Cash Receipts | | | |
| Ad Valorem Property Tax | \$ 83,555 | \$ 78,618 | \$ 4,937 |
| Delinquent Tax | 3,059 | 2,200 | 859 |
| Motor Vehicle Tax | 12,266 | 14,220 | (1,954) |
| 16/20 M Vehicle Tax | 547 | 341 | 206 |
| Recreational Vehicle Tax | 189 | 221 | (32) |
| | <u>\$ 99,616</u> | <u>\$ 95,600</u> | <u>\$ 4,016</u> |
| Expenditures | | | |
| Public Health | \$ 103,000 | \$ 103,000 | \$ - |
| | <u>\$ (3,384)</u> | | |
| Excess Cash Receipts Over (Under) Expenditures | | | |
| Unencumbered Cash - Beginning of Year | <u>12,073</u> | | |
| Unencumbered Cash - End of Year | <u>\$ 8,689</u> | | |

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, 2007

| | Actual | Budget | Variance Over (Under) |
|---|-------------------|------------------|-----------------------------|
| Cash Receipts | | | |
| Ad Valorem Property Tax | \$ 85,805 | \$ 80,821 | \$ 4,984 |
| Delinquent Tax | 3,074 | - | 3,074 |
| Motor Vehicle Tax | 12,275 | 14,235 | (1,960) |
| 16/20 M Vehicle Tax | 546 | 342 | 204 |
| Recreational Vehicle Tax | 189 | 222 | (33) |
| | <u>\$ 101,889</u> | <u>\$ 95,620</u> | <u>\$ 6,269</u> |
| Expenditures | | | |
| Public Health | \$ 103,000 | \$ 103,000 | \$ - |
| | <u>\$ (1,111)</u> | | |
| Total Cash Receipts Over (Under) Expenditures | | | |
| Unencumbered Cash - Beginning of Year | 12,095 | | |
| Unencumbered Cash - End of Year | \$ 10,984 | | |

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
Employee Benefits Fund
For the Year Ended December 31, 2007

| | <u>Actual</u> | <u>Budget</u> | <u>Variance Over (Under)</u> |
|--|---------------------|---------------------|--------------------------------------|
| Cash Receipts | | | |
| Ad Valorem Property Tax | \$ 1,683,354 | \$ 1,595,415 | \$ 87,939 |
| Delinquent Tax | 41,573 | 20,000 | 21,573 |
| Motor Vehicle Tax | 153,274 | 162,668 | (9,394) |
| 16/20 M Vehicle Tax | 8,474 | 3,906 | 4,568 |
| Recreational Vehicle Tax | 2,336 | 2,533 | (197) |
| Reimbursements and Other | 1,104,982 | 950,000 | 154,982 |
| | <u>\$ 2,993,993</u> | <u>\$ 2,734,522</u> | <u>\$ 259,471</u> |
| Expenditures | | | |
| General Government | \$ 3,033,453 | \$ 2,761,059 | \$ 272,394 |
| Adjustment for Qualifying Budget Credits | - | 154,982 | (154,982) |
| | <u>\$ 3,033,453</u> | <u>\$ 2,916,041</u> | <u>\$ 117,412</u> |
| Excess Cash Receipts Over (Under) Expenditures | \$ (39,460) | | |
| Unencumbered Cash - Beginning of Year | <u>(15,030)</u> | | |
| Unencumbered Cash - End of Year | <u>\$ (54,490)</u> | | |

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, 2007

| | Actual | Budget | Variance Over (Under) |
|---|-----------------|------------------|-----------------------------|
| Cash Receipts | | | |
| Ad Valorem Property Tax | \$ 2,406 | \$ - | \$ 2,406 |
| Delinquent Tax | 10 | 100 | (90) |
| Motor Vehicle Tax | - | - | - |
| 16/20 M Vehicle Tax | - | - | - |
| Recreational Vehicle Tax | - | - | - |
| Transfer In from General Fund | 888 | - | 888 |
| | <u>\$ 3,304</u> | <u>\$ 100</u> | <u>\$ 3,204</u> |
| Expenditures | | | |
| Education | \$ 1,399 | \$ 94,214 | \$ (92,815) |
| Transfers Out | - | - | - |
| | <u>\$ 1,399</u> | <u>\$ 94,214</u> | <u>\$ (92,815)</u> |
| Cash Receipts Over (Under) Expenditures | \$ 1,905 | | |
| Unencumbered Cash - Beginning of Year | - | | |
| Unencumbered Cash - End of Year | \$ 1,905 | | |

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, 2007

| | Actual | Budget | Variance Over (Under) |
|--|-----------|-----------|-----------------------------|
| Cash Receipts | | | |
| Local Alcoholic Liquor Fund | \$ 4,080 | \$ 4,450 | \$ (370) |
| Expenditures | | | |
| Recreation | \$ 1,980 | \$ 20,856 | \$ (18,876) |
| Excess Cash Receipts Over (Under) Expenditures | \$ 2,100 | | |
| Unencumbered Cash - Beginning of Year | 26,852 | | |
| Unencumbered Cash - End of Year | \$ 28,952 | | |

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, 2007

| | Actual | Budget | Variance Over (Under) |
|--|-----------|----------|-----------------------------|
| Cash Receipts | | | |
| Local Alcoholic Liquor Fund | \$ 10,977 | \$ 8,900 | \$ 2,077 |
| Expenditures | | | |
| Public Health | \$ 8,900 | \$ 8,900 | \$ - |
| Excess Cash Receipts Over (Under) Expenditures | \$ 2,077 | | |
| Unencumbered Cash - Beginning of Year | - | | |
| Unencumbered Cash - End of Year | \$ 2,077 | | |

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, 2007

| | Actual | Budget | Variance Over (Under) |
|--|-----------|------------|-----------------------------|
| Cash Receipts | | | |
| Host Fees | \$ 39,674 | \$ 200,000 | \$ (160,326) |
| Expenditures | | | |
| Sanitation | \$ 10,132 | \$ 269,185 | \$ (259,053) |
| Transfers Out | 11,012 | - | 11,012 |
| Total Expenditures | \$ 21,144 | \$ 269,185 | \$ (248,041) |
| Excess Cash Receipts Over (Under) Expenditures | \$ 18,530 | | |
| Unencumbered Cash - Beginning of Year | 22,728 | | |
| Unencumbered Cash - End of Year | \$ 41,258 | | |

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, 2007

| | Actual | Budget | Variance Over (Under) |
|--|----------|-----------|-----------------------------|
| Cash Receipts | | | |
| Transient Guest Tax | \$ 8,160 | \$ 13,000 | \$ (4,840) |
| Expenditures | | | |
| Tourism and Promotion | \$ 7,660 | \$ 14,000 | \$ (6,340) |
| Excess Cash Receipts Over (Under) Expenditures | \$ 500 | | |
| Unencumbered Cash - Beginning of Year | - | | |
| 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, 2007

| | Actual | Budget | Variance Over (Under) |
|---|------------|-----------|-----------------------------|
| Cash Receipts | | | |
| Fees | \$ 1,200 | \$ 25,000 | \$ (23,800) |
| Expenditures | | | |
| Public Safety | \$ 4,298 | \$ 25,000 | \$ (20,702) |
| Cash Receipts Over (Under) Expenditures | \$ (3,098) | | |
| Unencumbered Cash - Beginning of Year | 4,750 | | |
| Unencumbered Cash - End of Year | \$ 1,652 | | |

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, 2007

| | Actual | Budget | Variance Over (Under) |
|---|------------|------------|-----------------------------|
| Cash Receipts | | | |
| Telephone Tax | \$ 82,310 | \$ 120,000 | \$ (37,690) |
| Interest | 458 | - | 458 |
| | | | |
| Total Cash Receipts | \$ 82,768 | \$ 120,000 | \$ (37,232) |
| Expenditures | | | |
| Capital Lease | \$ - | \$ 14,789 | \$ (14,789) |
| Public Safety | 92,600 | 201,882 | (109,282) |
| | | | |
| Total Expenditures | \$ 92,600 | \$ 216,671 | \$ (124,071) |
| Cash Receipts Over (Under) Expenditures | \$ (9,832) | | |
| Unencumbered Cash - Beginning of Year | 78,342 | | |
| Unencumbered Cash - End of Year | \$ 68,510 | | |

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, 2007

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

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, 2007

| | Actual |
|---|------------|
| Cash Receipts | |
| Fees | \$ 26,936 |
| Interest | 1,966 |
| | \$ 28,902 |
| Expenditures | |
| General Government | \$ 38,114 |
| Cash Receipts Over (Under) Expenditures | \$ (9,212) |
| Unencumbered Cash - Beginning of Year | 30,851 |
| Unencumbered Cash - End of Year | \$ 21,639 |

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, 2007

| | <u>Actual</u> |
|---|-------------------------------|
| Cash Receipts | |
| Interest | <u>\$ 2</u> |
| Expenditures | |
| Public Works | <u>\$ -</u> |
| Cash Receipts Over (Under) Expenditures | \$ 2 |
| Unencumbered Cash - Beginning of Year | <u>254</u> |
| Unencumbered Cash - End of Year | <u><u>\$ 256</u></u> |

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, 2007

| | Actual |
|---|----------|
| Cash Receipts | |
| Drug Control Payments | \$ - |
| Expenditures | |
| Public Safety | \$ - |
| Cash Receipts Over (Under) Expenditures | \$ - |
| Unencumbered Cash - Beginning of Year | 2,839 |
| Unencumbered Cash - End of Year | \$ 2,839 |

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, 2007

| | Actual |
|---|-----------|
| Cash Receipts | |
| Ad Valorem Property Tax | \$ - |
| Delinquent Tax | 220 |
| Motor Vehicle Tax | - |
| 16/20 M Vehicle Tax | - |
| Recreational Vehicle Tax | - |
| | - |
| Total Cash Receipts | \$ 220 |
| Expenditures | |
| General Government | \$ 386 |
| Cash Receipts Over (Under) Expenditures | \$ (166) |
| Unencumbered Cash - Beginning of Year | 16,405 |
| Unencumbered Cash - End of Year | \$ 16,239 |

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, 2007

| | Actual |
|---|--------|
| Cash Receipts | |
| Ad Valorem Property Tax | \$ 649 |
| Delinquent Tax | 10 |
| Motor Vehicle Tax | - |
| 16/20 M Vehicle Tax | - |
| Recreational Vehicle Tax | - |
| | - |
| Total Cash Receipts | \$ 659 |
| Expenditures | |
| Public Works | \$ - |
| Cash Receipts Over (Under) Expenditures | \$ 659 |
| Unencumbered Cash - Beginning of Year | 228 |
| Unencumbered Cash - End of Year | \$ 887 |

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, 2007

| | Actual |
|---|------------|
| Cash Receipts | |
| Ad Valorem Property Tax | \$ 126,639 |
| Delinquent Tax | 4,635 |
| Motor Vehicle Tax | 18,207 |
| 16/20 M Vehicle Tax | 810 |
| Recreational Vehicle Tax | 280 |
| Other | - |
| | - |
| Total Cash Receipts | \$ 150,571 |
| Expenditures | |
| Public Works | \$ 133,922 |
| Cash Receipts Over (Under) Expenditures | \$ 16,649 |
| Unencumbered Cash - Beginning of Year | 411,066 |
| Unencumbered Cash - End of Year | \$ 427,715 |

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, 2007

| | 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, 2007

| | 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, 2007

| | Actual |
|---|-----------|
| Cash Receipts | |
| Fees | \$ 15,705 |
| Expenditures | |
| Public Safety | \$ 16,529 |
| Cash Receipts Over (Under) Expenditures | \$ (824) |
| Unencumbered Cash - Beginning of Year | 4,919 |
| Unencumbered Cash - End of Year | \$ 4,095 |

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, 2007

| | 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, 2007

| | Actual |
|---|----------|
| Cash Receipts | |
| Fees | \$ 210 |
| Expenditures | |
| General Government | \$ 437 |
| Cash Receipts Over (Under) Expenditures | \$ (227) |
| Unencumbered Cash - Beginning of Year | 1,441 |
| Unencumbered Cash - End of Year | \$ 1,214 |

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, 2007

| | 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, 2007

| | <u>Actual</u> |
|---|------------------------|
| Cash Receipts | |
| Fees | <u>\$ 1,293</u> |
| Expenditures | |
| Public Safety | <u>\$ 2,291</u> |
| Cash Receipts Over (Under) Expenditures | \$ (998) |
| Unencumbered Cash - Beginning of Year | <u>3,082</u> |
| Unencumbered Cash - End of Year | <u><u>\$ 2,084</u></u> |

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, 2007

| | Actual |
|---|----------|
| Cash Receipts | |
| Fees | \$ 300 |
| Other | - |
| | - |
| Total Cash Receipts | \$ 300 |
| Expenditures | |
| Public Safety | \$ - |
| | - |
| Cash Receipts Over (Under) Expenditures | \$ 300 |
| Unencumbered Cash - Beginning of Year | 3,008 |
| Unencumbered Cash - End of Year | \$ 3,308 |

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, 2007

| | 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
Accelerator Grant Fund
For the Year Ended December 31, 2007

| | Actual |
|---|------------|
| Cash Receipts | |
| Grant | \$ - |
| Expenditures | |
| General Government | \$ 2,500 |
| Cash Receipts Over (Under) Expenditures | \$ (2,500) |
| Unencumbered Cash - Beginning of Year | 2,500 |
| 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
Spider Program Fund
For the Year Ended December 31, 2007

| | Actual |
|---|----------|
| Cash Receipts | |
| Fees | \$ 1,500 |
| Expenditures | |
| Public Safety | \$ - |
| Cash Receipts Over (Under) Expenditures | \$ 1,500 |
| Unencumbered Cash - Beginning of Year | 435 |
| Unencumbered Cash - End of Year | \$ 1,935 |

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, 2007

| | Actual |
|---|----------|
| Cash Receipts | |
| Grant | \$ 5,833 |
| Expenditures | |
| Public Safety | \$ - |
| Total Expenditures | \$ - |
| Cash Receipts Over (Under) Expenditures | \$ 5,833 |
| Unencumbered Cash - Beginning of Year | 1,667 |
| Unencumbered Cash - End of Year | \$ 7,500 |

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
Emergency Wireless Telephone Tax Fund
For the Year Ended December 31, 2007

| | Actual | Budget | Variance Over (Under) |
|---|-----------|-----------|-----------------------------|
| Cash Receipts | | | |
| Telephone Tax | \$ 33,911 | \$ 30,000 | \$ 3,911 |
| Interest | 328 | - | 328 |
| Total Cash Receipts | \$ 34,239 | \$ 30,000 | \$ 4,239 |
| Expenditures | | | |
| Public Safety | \$ 12,503 | \$ 53,234 | \$ (40,731) |
| Cash Receipts Over (Under) Expenditures | \$ 21,736 | | |
| Unencumbered Cash - Beginning of Year | 53,349 | | |
| Unencumbered Cash - End of Year | \$ 75,085 | | |

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, 2007

| | Actual |
|---|--------|
| Cash Receipts | |
| Interest | \$ 1 |
| Expenditures | |
| Public Safety | \$ - |
| Cash Receipts Over (Under) Expenditures | \$ 1 |
| Unencumbered Cash - Beginning of Year | 94 |
| Unencumbered Cash - End of Year | \$ 95 |

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, 2007

| | Actual |
|---|----------|
| Cash Receipts | |
| Other | \$ 4,948 |
| Expenditures | |
| Public Safety | \$ 3,969 |
| Cash Receipts Over (Under) Expenditures | \$ 979 |
| Unencumbered Cash - Beginning of Year | 344 |
| Unencumbered Cash - End of Year | \$ 1,323 |

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, 2007

| | 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, 2007

| | Actual | Budget | Variance Over (Under) |
|---|------------|------------|-----------------------------|
| Cash Receipts | | | |
| Ad Valorem Property Tax | \$ 157,616 | \$ 150,000 | \$ 7,616 |
| Delinquent Tax | 976 | - | 976 |
| Taxes withheld form taxing entities | 165,161 | 125,094 | 40,067 |
| Total Cash Receipts | \$ 323,753 | \$ 275,094 | \$ 48,659 |
| Expenditures | | | |
| Principle | \$ 215,000 | \$ 215,000 | \$ - |
| Interest | 59,443 | 60,094 | (651) |
| Total Expenditures | \$ 274,443 | \$ 275,094 | \$ (651) |
| Cash Receipts Over (Under) Expenditures | \$ 49,310 | | |
| Unencumbered Cash - Beginning of Year | - | | |
| Unencumbered Cash - End of Year | \$ 49,310 | | |

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, 2007

| | Actual | Budget | Variance Over (Under) |
|---|------------|------------|-----------------------------|
| Cash Receipts | | | |
| Charges for Services | \$ 89,447 | \$ 110,000 | \$ (20,553) |
| Expenditures | | | |
| Public Works | \$ 99,322 | \$ 216,995 | \$ (117,673) |
| Cash Receipts Over (Under) Expenditures | \$ (9,875) | | |
| Unencumbered Cash - Beginning of Year | 193,234 | | |
| Unencumbered Cash - End of Year | \$ 183,359 | | |

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, 2007

| Fund | Beginning Cash Balance | Cash Receipts | Cash Disbursements | Ending Cash Balance |
|----------------------------------|------------------------------|------------------|-----------------------|---------------------------|
| Kansas Educational Buildings | \$ - | \$ 150,171 | \$ 150,171 | \$ - |
| Kansas Institutions Buildings | - | 75,086 | 75,086 | - |
| Correctional Institutions | (118) | - | - | (118) |
| State General Fund | - | 307 | 307 | - |
| Game Licenses | 2,632 | 11,845 | 11,833 | 2,644 |
| Temporary Boat Permits | 300 | 8,370 | 8,250 | 420 |
| Cereal Malt Beverage Stamps | 200 | 250 | 300 | 150 |
| Rural Directory | 30 | 150 | 180 | - |
| Diversion Supervision Fees | 5 | - | - | 5 |
| Southeast Kansas Library | - | 117,320 | 117,320 | - |
| Unclaimed Monies | 11,902 | - | - | 11,902 |
| Unclaimed Estates | 157,756 | - | - | 157,756 |
| Payroll Tax Withholdings | 3 | 517,698 | 517,698 | 3 |
| Sheltered Workshop | 8 | 1 | - | 9 |
| Vehicle Identification Number | 1,900 | (698) | 1,282 | (80) |
| Local Alcoholic Liquor | - | 19,137 | 19,137 | - |
| Information Network of Kansas | 95 | 18 | - | 113 |
| Bankruptcy | 1,865 | - | - | 1,865 |
| Rural Water District | 246 | - | - | 246 |
| Townships | - | 147,927 | 147,927 | - |
| Cities | 2,936 | 2,490,602 | 2,492,327 | 1,211 |
| Schools | - | 5,908,308 | 5,908,308 | - |
| Current Tax | 6,066,361 | 13,113,842 | 14,110,876 | 5,069,327 |
| Homestead Holding Account | 324 | 18,900 | 18,900 | 324 |
| Long and Short | 19 | 30 | 123 | (74) |
| Partial Payments | 817 | 576 | (844) | 2,237 |
| Redemption Tax | 143,600 | 370,020 | 403,710 | 109,910 |
| Delinquent Personnel Tax | (39,107) | 79,598 | 77,364 | (36,873) |
| Judicial Delinquent Personal Tax | 8,261 | (5,472) | - | 2,789 |
| Foreclosure Redemption Tax | - | 62 | 46 | 16 |
| Overpayment | 36 | 2,501 | 2,504 | 33 |
| Protest Tax | 173,908 | 197,431 | 233,614 | 137,725 |
| Escape Tax | - | - | - | - |
| Heritage Trust | 1,288 | 6,032 | 6,204 | 1,116 |
| Vehicle Tax | 322,108 | 1,720,603 | 1,539,937 | 502,774 |
| 16/20 M Vehicle Tax | 26,846 | 52,192 | 58,750 | 20,288 |
| In Lieu of Tax | 550 | 550 | 550 | 550 |
| Vehicle Excise Tax | 53 | 134 | 53 | 134 |
| Recreational Vehicle Tax | 5,960 | 2,531 | 242 | 8,249 |
| District Court | 26,562 | 575,086 | 571,453 | 30,195 |
| District Court Cases | 38,517 | 53 | 38,570 | - |

CHEROKEE COUNTY, KANSAS
Statement of Cash Receipts and Disbursements
Agency Funds (Continued)
For the Year Ended December 31, 2007

| Fund | Beginning Cash Balance | Cash Receipts | Cash Disbursements | Ending Cash Balance |
|---------------------------------------|------------------------------|----------------------|-----------------------|---------------------------|
| Sheriff Vehicle Identification Number | \$ 1,851 | \$ 18,191 | \$ 20,042 | \$ - |
| Sheriff Inmate | 11,807 | 140,089 | 143,217 | 8,679 |
| Special Auto | 178,373 | 4,253,347 | 4,297,048 | 134,672 |
| Total | <u>\$ 7,147,894</u> | <u>\$ 29,992,788</u> | <u>\$ 30,972,485</u> | <u>\$ 6,168,197</u> |

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

CHEROKEE COUNTY, KANSAS

Notes to Financial Statements

December 31, 2007

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.

Blended Component Units

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.

CHEROKEE COUNTY, KANSAS
Notes to Financial Statements
December 31, 2007

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.

CHEROKEE COUNTY, KANSAS

Notes to Financial Statements

December 31, 2007

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.

CHEROKEE COUNTY, KANSAS

Notes to Financial Statements

December 31, 2007

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.

CHEROKEE COUNTY, KANSAS

Notes to Financial Statements

December 31, 2007

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 generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with 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. The budgets for the General, Road and Bridge and Direct Election Funds were amended during the year.

CHEROKEE COUNTY, KANSAS

Notes to Financial Statements

December 31, 2007

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 is invested in time deposits. Additional cash and investments are presented in Note III.A.

CHEROKEE COUNTY, KANSAS

Notes to Financial Statements

December 31, 2007

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 if certain conditions are met. The total hours of sick leave accumulated at December 31, 2007 was 22,000. 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 2007 for purposes of taxation was \$134,580,519.

CHEROKEE COUNTY, KANSAS
Notes to Financial Statements
December 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I.F. RECEIPTS AND EXPENDITURES (CONTINUED)

I.F.2. Property Tax (Continued)

The tax levy per \$100.00 of assessed valuation of tangible property for the calendar year was \$5.13. 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.

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*.

CHEROKEE COUNTY, KANSAS
Notes to Financial Statements
December 31, 2007

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 County violated the cash-basis law in the Employee Benefits Fund. (KSA 10-1113)

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)

No records of encumbrances or accounts payable are maintained. (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 the adopted budget. (KSA 79-2935)

II.B. DEFICIT CASH/UNENCUMBERED CASH FOR INDIVIDUAL FUNDS

The Employee Benefits Fund had a deficit unencumbered cash balance at December 31, 2007. The following agency funds had deficit cash balances at December 31, 2007: Correctional Institutions Fund, VIN Fund, and Delinquent Personal Tax Fund.

CHEROKEE COUNTY, KANSAS
Notes to Financial Statements
December 31, 2007

III. DETAILED NOTES ON FUNDS AND ACCOUNTS

III. A. Deposits and Investments

As of December 31, 2007, the County had the following investments and maturities.

| Investment Type | Fair Value | Cost |
|---|------------|------------|
| Federal Home Loan Bank Note, 5% Dated April 21, 2005. Due April 21, 2010. Par Value \$495,000 | \$ 496,470 | \$ 499,331 |
| Financial Square Trust Treasury Obligation Fund Admin CL 469 (Mutual Fund) | 33,924 | 33,924 |
| | \$ 530,394 | \$ 533,255 |

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 statutes 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.

CHEROKEE COUNTY, KANSAS

Notes to Financial Statements

December 31, 2007

III. DETAILED NOTES ON FUNDS AND ACCOUNTS (CONTINUED)

III. A. Deposits and Investments (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the County’s deposits may not be returned to it. State statutes require the County’s deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated “peak periods” when required coverage is 50%. The County has not designated “peak periods”. All deposits were not legally secured at December 31, 2007.

At December 31, 2007, the County’s carrying amount of deposits was \$9,106,094 and the bank balance was \$9,627,320. Eighty-one percent of the bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$496,772 was covered by federal depository insurance, \$2,500,000 was covered by private insurance, and \$6,630,548 was covered by Letters of Credit.

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 | \$ 498 |
| Reserve Account | 532,750 |
| Cost of Issuance Account | <u>7</u> |
| Total | <u>\$ 533,255</u> |

CHEROKEE COUNTY, KANSAS
Notes to Financial Statements
December 31, 2007

III. DETAILED NOTES ON FUNDS AND ACCOUNTS (CONTINUED)

III.B Interfund Transactions

Operating transfers were as follows:

| <u>From:</u> | <u>To:</u> | | |
|--------------|------------|----|--------|
| Landfill | General | \$ | 11,012 |

The above transfers are included in the expenditures of the disbursing fund and included in cash receipts of the receiving fund as required by the cash basis and budget laws of Kansas.

CHEROKEE COUNTY, KANSAS

Notes to Financial Statements

December 31, 2007

IV. LONG-TERM DEBT

Changes in long-term debt for the year ended December 31, 2007 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 | \$ 575,000 | \$ - | \$ 115,000 | \$ 460,000 |
| 2006B | 500,000 | 5.00% | 9-06-2006 | 9-01-2011 | 500,000 | - | 100,000 | 400,000 |
| Capital Leases | | | | | | | | |
| John Deere Backhoes (2) | 93,650 | 4.75% | 8-15-2007 | 4-15-2012 | - | 93,650 | - | 93,650 |
| Postage Meter | 32,275 | 3.42% | 8-15-2002 | 12-31-2007 | 6,231 | - | 6,231 | - |
| AS400 Computer | 29,688 | 3.31/5.56% | 3-01-2007 | 7-01-2009 | - | 29,688 | 9,711 | 19,977 |
| File Server | 14,312 | 3.42% | 8-22-2006 | 8-22-2008 | 12,107 | - | 7,039 | 5,068 |
| Sterling Dump Trucks (8) | 350,242 | 6.95% | 11-17-2006 | 11-17-2011 | 350,242 | - | 60,976 | 289,266 |
| Road Graders (12) | 1,644,800 | 4.40% | 6-05-2007 | 6-05-2013 | - | 1,644,800 | - | 1,644,800 |
| Certificates of Participation | | | | | | | | |
| Series 2005 | 7,150,000 | 2.55/5.00% | 4-01-2005 | 11-15-2021 | 6,665,000 | - | 340,000 | 6,325,000 |
| Totals | | | | | <u>\$ 8,108,580</u> | <u>\$ 1,768,138</u> | <u>\$ 638,957</u> | <u>\$ 9,237,761</u> |

CHEROKEE COUNTY, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2007

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:

| <u>Principal</u> | Year | | | | | | | <u>Total</u> |
|----------------------------------|-----------------|-----------------|-----------------|------------------|----------------|------------------|------------------|-------------------|
| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013-2017</u> | <u>2018-2021</u> | |
| No Fund Warrants | \$ 215,000 | \$ 215,000 | \$ 215,000 | \$ 215,000 | \$ - | \$ - | \$ - | \$ 860,000 |
| Capital Leases | 301,582 | 312,867 | 317,865 | 333,839 | 265,335 | 521,273 | - | 2,052,761 |
| Certificates of Participation | 350,000 | 360,000 | 375,000 | 385,000 | 400,000 | 2,240,000 | 2,215,000 | 6,325,000 |
| Total Principal | \$ 866,582 | \$ 887,867 | \$ 907,865 | \$ 933,839 | \$ 665,335 | \$2,761,273 | \$2,215,000 | \$ 9,237,761 |
| <u>Interest</u> | | | | | | | | |
| No Fund Warrants | \$ 47,554 | \$ 35,666 | \$ 23,777 | \$ 11,889 | \$ - | \$ - | \$ - | \$ 118,886 |
| Capital Leases | 98,754 | 82,224 | 66,812 | 50,838 | 34,025 | 22,936 | - | 355,589 |
| Certificates of Participation | 264,395 | 253,545 | 241,665 | 228,728 | 215,060 | 832,690 | 285,000 | 2,321,083 |
| Total Interest | \$ 410,703 | \$ 371,435 | \$ 332,254 | \$ 291,455 | \$ 249,085 | \$ 855,626 | \$ 285,000 | \$ 2,795,558 |
| Total Principal and Interest | \$1,277,285 | \$1,259,302 | \$1,240,119 | \$ 1,225,294 | \$ 914,420 | \$3,616,899 | \$2,500,000 | \$ 12,033,319 |

CHEROKEE COUNTY, KANSAS
Notes to Financial Statements
December 31, 2007

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 2007 is 5.31%. Cherokee County, Kansas's employer contributions to KPERS for the years ending December 31, 2007, 2006, and 2005, were \$198,043, \$167,399, and \$124,591 respectively, equal to the statutory required contributions for each year.

CHEROKEE COUNTY, KANSAS

Notes to Financial Statements

December 31, 2007

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.

Cherokee County entered into a contract with Blue Cross and Blue Shield of Kansas, Inc. for a self insured medical program for the period January 1, 2007 through December 31, 2007.

The Plan accepts the full responsibility for the Benefits and Administrative expenses which are in excess of the Combined Individual and Aggregate Stop-Loss Provision for the remainder of that contract year. The Plan has no liability under this Contract until the Contract Holder's liability has been terminated by the Combined Individual and Aggregate Stop-Loss Provision.

Combined Individual and Aggregate Stop-Loss Provision means:

1. **Individual Subscriber:** The incurred Claims Expense for Benefits in excess of \$30,000 for an Insured in a Contract Year and the Administrative Fee of the Contract Holder's Administrative Services Agreement associated with the Incurred Claims Expense in excess of the stated dollar amount.
2. **Aggregate:** The Incurred Claims Expense in excess of 125% of the Expected Incurred Claims Expense and the Administrative Fee of the Contract Holder's Administrative Services Agreement associated with the Incurred Claims Expense in excess of the stated percent.

CHEROKEE COUNTY, KANSAS

Notes to Financial Statements

December 31, 2007

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, 2007

| Federal Grantor/Pass-through Grantor/ Program Title | Federal CFDA Number | Agency or Pass-through Number | Federal Expenditures |
|--|---------------------------|-------------------------------------|-------------------------|
| <u>U.S. Department of Agriculture</u> | | | |
| Passed-through Kansas Department of Health and Environment Special Supplemental Nutrition Program for Women, Infants and Children | 10.557 | | \$ 262,090 |
| <u>U.S. Department of Health and Human Services</u> | | | |
| Passed-through Kansas Department of Health and Environment Immunization Grants | 93.268 | | \$ 2,198 |
| Centers for Disease Control and Prevention Investigations and Technical Assistance | 93.283 | | 37,450 |
| Maternal and Child Health Services Block Grants to the States | 93.994 | | 9,034 |
| Total U.S. Department of Health and Human Services | | | \$ 48,682 |
| <u>U.S. Department of Homeland Security</u> | | | |
| Passed-through Kansas Adjutant General Emergency Management Performance Grants | 97.042 | | \$ 3,233 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | | 213,253 |
| Total U.S. Department of Homeland Security | | | \$ 216,486 |
| Total Expenditures of Federal Funds | | | \$ 527,258 |

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, 2007

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.



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

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

**REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS
BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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, 2007, and have issued our report thereon dated September 22, 2008. 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. 2007-1, 2007-2, 2007-3, 2007-4, 2007-5 and 2007-6.

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 2007-1, 2007-4, and 2007-6 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 22, 2008.

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 22, 2008



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

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

**REPORT ON COMPLIANCE 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, 2007. 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, 2007.

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 22, 2008

CHEROKEE COUNTY, KANSAS
 Schedule of Findings and Questioned Costs
 For the year ended December 31, 2007

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

Identification of major programs:

| CFDA Number | Name of Federal Program |
|-------------|---|
| 10.557 | Special Supplemental Nutrition Program for Women, Infants and Children |
| 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 no

CHEROKEE COUNTY, KANSAS
Schedule of Findings and Questioned Costs
For the year ended December 31, 2007

Section II - Financial Statement Findings

| | |
|----------------------|---|
| <u>2007-1</u> | <u>Segregation of Duties</u> |
| Criteria: | Duties should be segregated so that employees who maintain accounting records do not collect money and have access to funds. |
| Condition: | Personnel who receive and receipt cash also maintain accounting records. This condition is present in many of the departments and fee offices of the County. |
| Effect: | The effect of this condition could result in the improper recording of assets or the possible understatement or misappropriation of assets. |
| Cause: | Limited number of employees available. |
| Recommendation: | To the extent possible, duties should be segregated to serve as a check and balance of employee's integrity and maintain the best control system possible. |
| Management Response: | The number of employees is limited and it is not feasible given current budget conditions to employ additional staff. |
| <u>2007-2</u> | <u>Accounting Manual</u> |
| Criteria: | Cherokee County should prepare an accounting manual that would inform all employees of desired operating procedures and policies. |
| Condition: | The 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: | Cherokee County should develop an accounting manual as time and expenses allow. |

CHEROKEE COUNTY, KANSAS
Schedule of Findings and Questioned Costs
For the year ended December 31, 2007

Section II - Financial Statement Findings (Continued)

| | |
|----------------------|---|
| <u>2007-5</u> | <u>Internal Control Over Federal Awards</u> |
| 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: | These records are currently not maintained. |
| 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. |
| Management Response: | Recommendation will be taken into consideration and will be communicated to respective department personnel. |

CHEROKEE COUNTY, KANSAS
Schedule of Findings and Questioned Costs
For the year ended December 31, 2007

Section III – Federal Awards Findings and Questioned Costs

No findings related to Federal Awards reported.

CHEROKEE COUNTY, KANSAS
Summary Schedule of Prior Audit Findings
For the year ended December 31, 2007

No prior year findings. Cherokee County, Kansas was not required to be audited under OMB Circular A-133 Standards.

CHEROKEE COUNTY, KANSAS
Corrective Action Plan
For the year ended December 31, 2007

Finding 2007-1, 2007-2, and 2007-4

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 2007-3

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

Finding 2007-6

Recommendation has been communicated to Department personnel.