

SMITH COUNTY, KANSAS

Primary Government Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2011

SMITH COUNTY, KANSAS
 Primary Government Financial Statements With Independent Auditors' Report
 For the Year Ended December 31, 2011

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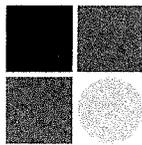
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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the County Commission
Smith County, Kansas
Smith Center, Kansas

We have audited the accompanying primary government financial statements of **Smith County, Kansas**, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of **Smith County, Kansas'** management. Our responsibility is to express opinions 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 *Kansas Municipal Audit Guide* and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of **Smith County, Kansas**, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of **Smith County, Kansas** as of December 31, 2011, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, **Smith County, Kansas**, has issued separate reporting entity financial statements for which we have issued our report dated July 05, 2012.

As described more fully in Note 1, **Smith County, Kansas** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory 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 paragraphs, 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 **Smith County, Kansas**, as of December 31, 2011, 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 each fund of **Smith County, Kansas**, as of December 31, 2011, and their respective cash receipts and disbursements and budgetary results for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 05, 2012, on our consideration of **Smith 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Smith County, Kansas'** financial statements as a whole. 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. The schedule of expenditures of federal awards is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.



ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

July 05, 2012

SMITH COUNTY, KANSAS
 Summary of Cash Receipts, Expenditures and Unencumbered Cash
 For the Year Ended December 31, 2011

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 Fund Categories							
General Fund	\$ 355,473	-	1,337,387	1,372,425	320,435	122,262	442,697
Special Revenue Funds							
Road and Bridge Fund	151,954	-	2,373,484	2,552,936	(27,198)	141,875	114,677
Bridge Building Fund	217,671	-	83,353	357,202	(56,178)	156,360	100,182
Special Machinery Fund	190,495	-	-	109,260	81,235	-	81,235
Noxious Weed Fund	241,565	-	176,450	143,177	274,838	4,168	279,006
Health Fund	183,662	-	379,121	406,723	156,060	28,023	184,083
Appraiser's Cost Fund	30,207	-	87,642	107,141	10,708	17,309	28,017
Employee Benefit Fund	115,570	-	1,301,458	1,223,865	193,163	-	193,163
Hospital Maintenance Fund	-	-	203,163	203,904	(741)	-	(741)
Ambulance Service Fund	56,300	-	462,633	468,708	50,225	43,554	93,779
Mental Health Fund	-	-	23,051	23,132	(81)	-	(81)
Mental Retardation Fund	-	-	27,090	27,185	(95)	-	(95)
Special Alcohol Fund	20,615	-	7,643	10,000	18,258	-	18,258
911 Telephone Fund	35,269	-	17,542	22,965	29,846	-	29,846
E-911 Telephone Fund	20,384	-	100,886	79,774	41,496	-	41,496
Register of Deeds Technology Fund	15,972	-	7,458	7,233	16,197	-	16,197
EMS Grant Memorial Fund	10,526	-	7,352	5,322	12,556	-	12,556
Sales Tax Fund	111,882	-	474,663	306,909	279,636	-	279,636
Guest Tax Fund	14,671	-	7,300	9,153	12,818	-	12,818
Debt Service Fund							
Bond and Interest Fund	1,982	-	30,011	30,386	1,607	-	1,607
Proprietary Fund Category							
Enterprise Fund							
Solid Waste Fund	169,239	-	261,425	339,152	91,512	34,760	126,272
Fiduciary Fund Category							
Private Purpose Trust Funds							
Prosecuting Attorney's Training Fund	1,769	-	321	1,125	965	-	965
Special Motor Vehicle Fund	-	-	416,447	416,447	-	-	-
Total Primary Government (Excluding Agency Funds)	\$ 1,945,206	-	7,785,880	8,223,824	1,507,262	548,311	2,055,573
Composition of Cash							
Checking Accounts							\$ 6,245,146
Certificates of Deposit							1,085,000
Temporary Notes							75,000
Cash on Hand							12,740
Total Cash							7,417,886
Distributable Funds per Statement 4-1							(5,243,531)
Agency Funds per Statement 4-2							(118,782)
Total Primary Government (Excluding Agency Funds)							\$ 2,055,573

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

SMITH COUNTY, KANSAS

Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2011

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Fund Categories					
General Fund	\$ 1,397,797	-	1,397,797	1,372,425	(25,372)
Special Revenue Funds					
Road and Bridge Fund	1,749,519	648,830	2,398,349	2,552,636	154,287 (a)
Noxious Weed Fund	342,638	-	342,638	143,177	(199,461)
Health Fund	325,113	99,243	424,356	406,723	(17,633)
Appraiser's Cost Fund	115,528	-	115,528	107,141	(8,387)
Employee Benefit Fund	1,347,132	-	1,347,132	1,223,865	(123,267)
Hospital Maintenance Fund	202,025	-	202,025	203,904	1,879
Ambulance Service Fund	454,031	-	454,031	468,708	14,677
Mental Health Fund	23,222	-	23,222	23,132	(90)
Mental Retardation Fund	27,259	-	27,259	27,185	(74)
Special Alcohol Fund	15,000	-	15,000	10,000	(5,000)
Sales Tax Fund	305,184	-	305,184	306,909	1,725
Debt Service Fund					
Bond and Interest Fund	32,177	-	32,177	30,386	(1,791)
Proprietary Fund Category					
Enterprise Fund					
Solid Waste Fund	403,100	-	403,100	339,152	(63,948)

(a) Exceeded budget due to FEMA expenditures reimbursements of \$492,495 in January and February 2012 - allowed per K.S.A. 12-1663.

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

SMITH COUNTY, KANSAS
General Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 1,132,376	1,150,482	1,130,007	20,475
Federal Aid	1,408	23,120	-	23,120
State Aid	3,330	8,032	-	8,032
Licenses and Fees	53,989	71,037	34,900	36,137
Use of Money and Property	35,215	35,572	25,000	10,572
Transfers In	5,253	7,821	-	7,821
Reimbursements	27,520	17,005	1,500	15,505
Miscellaneous	20,416	24,318	9,600	14,718
Total Cash Receipts	1,279,507	1,337,387	1,201,007	136,380
Expenditures				
County Commissioners	56,284	57,600	55,026	2,574
County Clerk	73,822	66,633	74,670	(8,037)
County Treasurer	113,804	112,475	104,527	7,948
County Attorney	89,907	95,470	88,460	7,010
Register of Deeds	47,347	50,407	51,577	(1,170)
Sheriff	261,632	294,303	299,100	(4,797)
Dispatch	159,184	134,628	154,050	(19,422)
Court System	47,380	53,074	52,750	324
Courthouse General	243,297	266,214	307,616	(41,402)
Area Agency on Aging	4,000	4,000	4,000	-
Juvenile Detention	-	-	3,500	(3,500)
CASA	3,350	3,000	3,000	-
Airport Maintenance	1,590	1,193	-	1,193
Emergency Preparedness	29,295	64,045	29,440	34,605
Soil Conservation	14,473	13,290	13,290	-
Free Fair	13,300	13,300	13,300	-
Extension Council	90,755	89,000	89,000	-
Historical Society	4,970	4,000	4,000	-
Election	39,914	31,541	39,955	(8,414)
Neighborhood Revitalization Rebate	10,546	18,252	10,536	7,716
Total Expenditures	1,304,850	1,372,425	1,397,797	(25,372)
Cash Receipts Over (Under) Expenditures	(25,343)	(35,038)		
Unencumbered Cash - Beginning	380,816	355,473		
Unencumbered Cash - Ending	\$ 355,473	320,435		

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

SMITH COUNTY, KANSAS
General Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
County Commissioners				
Personal Services	\$ 46,512	48,193	46,276	1,917
Contractual Services	6,599	6,205	5,350	855
Commodities	3,173	3,202	2,900	302
Capital Outlay	-	-	500	(500)
Total County Commissioners	<u>56,284</u>	<u>57,600</u>	<u>55,026</u>	<u>2,574</u>
County Clerk				
Personal Services	60,658	59,436	56,540	2,896
Contractual Services	6,201	4,096	8,080	(3,984)
Commodities	3,563	3,101	4,050	(949)
Capital Outlay	3,400	-	6,000	(6,000)
Total County Clerk	<u>73,822</u>	<u>66,633</u>	<u>74,670</u>	<u>(8,037)</u>
County Treasurer				
Personal Services	104,832	117,766	110,877	6,889
Contractual Services	4,250	2,113	2,000	113
Commodities	3,512	5,770	1,000	4,770
Capital Outlay	1,210	1,614	-	1,614
Reimbursement from IRP Receipts	-	(14,788)	(9,350)	(5,438)
Total County Treasurer	<u>113,804</u>	<u>112,475</u>	<u>104,527</u>	<u>7,948</u>
County Attorney				
Personal Services	74,445	73,108	75,060	(1,952)
Contractual Services	6,165	12,309	4,100	8,209
Commodities	9,297	10,053	9,300	753
Total County Attorney	<u>89,907</u>	<u>95,470</u>	<u>88,460</u>	<u>7,010</u>
Register of Deeds				
Personal Services	41,609	42,446	43,000	(554)
Contractual Services	5,285	6,483	6,977	(494)
Commodities	453	752	1,000	(248)
Capital Outlay	-	726	600	126
Total Register of Deeds	<u>47,347</u>	<u>50,407</u>	<u>51,577</u>	<u>(1,170)</u>
Sheriff				
Personal Services	178,285	193,387	191,500	1,887
Contractual Services	27,977	32,121	38,800	(6,679)
Commodities	34,727	42,662	51,300	(8,638)
Capital Outlay	20,643	26,133	17,500	8,633
Total Sheriff	<u>\$ 261,632</u>	<u>294,303</u>	<u>299,100</u>	<u>(4,797)</u>

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

SMITH COUNTY, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Dispatch				
Personal Services	\$ 119,451	116,940	134,200	(17,260)
Contractual Services	14,076	12,342	11,150	1,192
Commodities	8,345	5,070	6,700	(1,630)
Capital Outlay	17,312	276	2,000	(1,724)
Total Dispatch	<u>159,184</u>	<u>134,628</u>	<u>154,050</u>	<u>(19,422)</u>
Court System				
Contractual Services	9,700	14,455	10,650	3,805
Commodities	7,613	9,056	8,500	556
Capital Outlay	10,094	2,899	5,600	(2,701)
Legal Cost	19,973	26,664	28,000	(1,336)
Total Court System	<u>47,380</u>	<u>53,074</u>	<u>52,750</u>	<u>324</u>
Courthouse General				
Personal Services	15,632	13,064	16,016	(2,952)
Contractual Services	188,620	190,809	235,500	(44,691)
Commodities	15,574	24,751	16,100	8,651
Capital Outlay	20,272	37,590	40,000	(2,410)
Courthouse Repair	3,199	-	-	-
Total Courthouse General	<u>243,297</u>	<u>266,214</u>	<u>307,616</u>	<u>(41,402)</u>
Emergency Preparedness				
Personal Services	16,080	19,424	16,120	3,304
Contractual Services	12,128	43,422	12,000	31,422
Commodities	1,087	1,199	1,320	(121)
Total Emergency Preparedness	<u>29,295</u>	<u>64,045</u>	<u>29,440</u>	<u>34,605</u>
Area Agency on Aging	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Juvenile Detention	<u>-</u>	<u>-</u>	<u>3,500</u>	<u>(3,500)</u>
CASA	<u>3,350</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Airport Maintenance	<u>1,590</u>	<u>1,193</u>	<u>-</u>	<u>1,193</u>
Soil Conservation	<u>14,473</u>	<u>13,290</u>	<u>13,290</u>	<u>-</u>
Free Fair	\$ <u>13,300</u>	<u>13,300</u>	<u>13,300</u>	<u>-</u>

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

SMITH COUNTY, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Extension Council	\$ 90,755	89,000	89,000	-
Historical Society	4,970	4,000	4,000	-
Election	39,914	31,541	39,955	(8,414)
Neighborhood Revitalization Rebate	10,546	18,252	10,536	7,716
Total Expenditures	\$ 1,304,850	1,372,425	1,397,797	(25,372)

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

SMITH COUNTY, KANSAS
Road and Bridge Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 1,291,489	1,339,898	1,349,774	(9,876)
Federal Aid	89,943	82,590	-	82,590
State Aid	12,265	526,282	-	526,282
State Aid - Special Highway	305,603	296,666	305,219	(8,553)
Collections	24	890	-	890
Equipment Sales	-	67,200	-	67,200
Reimbursements	42,800	59,958	20,000	39,958
Total Cash Receipts	<u>1,742,124</u>	<u>2,373,484</u>	<u>1,674,993</u>	<u>698,491</u>
Expenditures				
Personal Services	588,494	670,293	648,080	22,213
Contractual Services	97,661	455,670	166,780	288,890
Commodities	576,156	878,512	741,750	136,762
Capital Outlay	170,166	525,794	180,000	345,794
Transfers Out	300,000	-	-	-
Neighborhood Revitalization Rebate	12,656	22,367	12,909	9,458
(a) Adjustment for Qualifying Budget Credits	-	-	648,830	(648,830)
Total Expenditures	<u>1,745,133</u>	<u>2,552,636</u>	<u>2,398,349</u>	<u>154,287 (b)</u>
Cash Receipts Over (Under) Expenditures	(3,009)	(179,152)		
Unencumbered Cash - Beginning	<u>154,963</u>	<u>151,954</u>		
Unencumbered Cash - Ending	\$ <u>151,954</u>	<u>(27,198) (c)</u>		

(a) Adjustment for Qualifying Budget Credits

Federal Aid Over Amount Budgeted	\$ 82,590
State Aid Over Amount Budgeted	526,282
Reimbursed Expense Over Amount Budgeted	39,958
Total	\$ <u>648,830</u>

(b) Exceeded budget due to FEMA expenditures reimbursements of \$492,495 in January and February 2012 - allowed per K.S.A. 12-1663.

(c) Exceeded cash due to FEMA expenditures reimbursement of \$492,495 in January and February 2012 - allowed per K.S.A. 12-1663.

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

SMITH COUNTY, KANSAS
Bridge Building Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Aid	\$ -	63,053
State Aid	-	20,300
Transfers In	200,000	-
Total Cash Receipts	200,000	83,353
Expenditures		
Contractual Services	77,229	357,202
Cash Receipts Over (Under) Expenditures	122,771	(273,849)
Unencumbered Cash - Beginning	94,900	217,671
Unencumbered Cash - Ending	\$ 217,671	(56,178) (a)

(a) Exceeded cash due to FEMA expenditures reimbursement of \$57,322 in January 2012 - allowed per K.S.A. 12-1663.

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

SMITH COUNTY, KANSAS
Special Machinery Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ 100,000	-
Expenditures		
Capital Outlay	454,560	109,260
Cash Receipts Over (Under) Expenditures	(354,560)	(109,260)
Unencumbered Cash - Beginning	545,055	190,495
Unencumbered Cash - Ending	\$ 190,495	81,235

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

SMITH COUNTY, KANSAS

Noxious Weed Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 73,137	88,688	88,242	446
Chemical Sales	129,519	87,762	140,000	(52,238)
Total Cash Receipts	202,656	176,450	<u>228,242</u>	<u>(51,792)</u>
Expenditures				
Personal Services	51,048	52,435	69,500	(17,065)
Contractual Services	7,644	6,853	10,072	(3,219)
Commodities	107,141	80,619	230,200	(149,581)
Capital Outlay	-	1,769	32,000	(30,231)
Neighborhood Revitalization Rebate	679	1,501	866	635
Total Expenditures	166,512	143,177	<u>342,638</u>	<u>(199,461)</u>
Cash Receipts Over (Under) Expenditures	36,144	33,273		
Unencumbered Cash - Beginning	205,421	241,565		
Unencumbered Cash - Ending	\$ <u>241,565</u>	<u>274,838</u>		

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

SMITH COUNTY, KANSAS
Health Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 139,023	139,360	140,515	(1,155)
Federal Aid	34,878	26,512	37,300	(10,788)
State Aid	39,105	31,751	7,000	24,751
Intergovernmental	58,017	48,518	31,006	17,512
Collections	123,320	132,980	76,000	56,980
Total Cash Receipts	394,343	379,121	291,821	87,300
Expenditures				
Personal Services	208,029	312,024	230,027	81,997
Contractual Services	42,558	39,102	47,350	(8,248)
Commodities	56,785	52,882	43,900	8,982
Capital Outlay	2,975	400	2,500	(2,100)
Neighborhood Revitalization Rebate	1,369	2,315	1,336	979
(a) Adjustment for Qualifying Budget Credits	-	-	99,243	(99,243)
Total Expenditures	311,716	406,723	424,356	(17,633)
Cash Receipts Over (Under) Expenditures	82,627	(27,602)		
Unencumbered Cash - Beginning	101,035	183,662		
Unencumbered Cash - Ending	\$ 183,662	156,060		
(a) Adjustment for Qualifying Budget Credits				
State Aid Over Amount Budgeted			\$ 24,751	
Intergovernmental Over Amount Budgeted			17,512	
Collections Over Amount Budgeted			56,980	
Total			\$ 99,243	

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

SMITH COUNTY, KANSAS
Appraiser's Cost Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 106,010	84,211	85,052	(841)
Miscellaneous	553	3,431	-	3,431
Total Cash Receipts	<u>106,563</u>	<u>87,642</u>	<u>85,052</u>	<u>2,590</u>
Expenditures				
Personal Services	79,104	84,228	90,500	(6,272)
Contractual Services	15,348	17,908	16,620	1,288
Commodities	2,968	2,250	3,400	(1,150)
Capital Outlay	2,607	1,412	4,232	(2,820)
Neighborhood Revitalization Rebate	1,046	1,343	776	567
Total Expenditures	<u>101,073</u>	<u>107,141</u>	<u>115,528</u>	<u>(8,387)</u>
Cash Receipts Over (Under) Expenditures	5,490	(19,499)		
Unencumbered Cash - Beginning	<u>24,717</u>	<u>30,207</u>		
Unencumbered Cash - Ending	\$ <u><u>30,207</u></u>	<u><u>10,708</u></u>		

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

SMITH COUNTY, KANSAS
Employee Benefit Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 1,160,430	1,246,207	1,267,881	(21,674)
Federal Aid	-	43,629	-	43,629
Collections	16,139	11,622	5,500	6,122
Total Cash Receipts	1,176,569	1,301,458	1,273,381	28,077
Expenditures				
Social Security	145,650	141,327	140,000	1,327
Employee Retirement	122,420	130,518	125,000	5,518
Workmen's Comp. Insurance	53,483	65,143	80,000	(14,857)
Health Insurance	729,494	865,836	990,000	(124,164)
Neighborhood Revitalization Rebate	11,847	21,041	12,132	8,909
Total Expenditures	1,062,894	1,223,865	1,347,132	(123,267)
Cash Receipts Over (Under) Expenditures	113,675	77,593		
Unencumbered Cash - Beginning	1,895	115,570		
Unencumbered Cash - Ending	\$ 115,570	193,163		

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

SMITH COUNTY, KANSAS
Hospital Maintenance Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 143,040	203,163	202,025	1,138
Expenditures				
Appropriations	136,045	200,397	200,000	397
Neighborhood Revitalization Rebate	1,273	3,507	2,025	1,482
Total Expenditures	<u>137,318</u>	<u>203,904</u>	<u>202,025</u>	<u>1,879</u>
Cash Receipts Over (Under) Expenditures	5,722	(741)		
Unencumbered Cash - Beginning	<u>(5,722)</u>	<u>-</u>		
Unencumbered Cash - Ending	\$ <u>-</u>	<u>(741)</u>		

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

SMITH COUNTY, KANSAS
Ambulance Service Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 259,509	294,979	297,665	(2,686)
Collections	134,081	167,654	100,000	67,654
Total Cash Receipts	<u>393,590</u>	<u>462,633</u>	<u>397,665</u>	<u>64,968</u>
Expenditures				
Personal Services	331,122	365,116	342,500	22,616
Contractual Services	39,742	49,988	48,650	1,338
Commodities	34,552	41,693	25,000	16,693
Capital Outlay	745	6,916	35,000	(28,084)
Neighborhood Revitalization Rebate	2,561	4,995	2,881	2,114
Total Expenditures	<u>408,722</u>	<u>468,708</u>	<u>454,031</u>	<u>14,677</u>
Cash Receipts Over (Under) Expenditures	(15,132)	(6,075)		
Unencumbered Cash - Beginning	<u>71,432</u>	<u>56,300</u>		
Unencumbered Cash - Ending	\$ <u>56,300</u>	<u>50,225</u>		

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

SMITH COUNTY, KANSAS
Mental Health Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 22,545	23,051	23,222	(171)
Expenditures				
Appropriations	22,325	22,748	23,000	(252)
Neighborhood Revitalization Rebate	220	384	222	162
Total Expenditures	<u>22,545</u>	<u>23,132</u>	<u>23,222</u>	<u>(90)</u>
Cash Receipts Over (Under) Expenditures	-	(81)		
Unencumbered Cash - Beginning	-	-		
Unencumbered Cash - Ending	\$ -	(81)		

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

SMITH COUNTY, KANSAS
Mental Retardation Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 27,171	27,090	27,259	(169)
Expenditures				
Appropriations	26,905	26,736	27,000	(264)
Neighborhood Revitalization Rebate	266	449	259	190
Total Expenditures	<u>27,171</u>	<u>27,185</u>	<u>27,259</u>	<u>(74)</u>
Cash Receipts Over (Under) Expenditures	-	(95)		
Unencumbered Cash - Beginning	-	-		
Unencumbered Cash - Ending	\$ -	<u>(95)</u>		

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

SMITH COUNTY, KANSAS
Special Alcohol Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Intergovernmental	\$ 9,555	7,643	<u>9,572</u>	<u>(1,929)</u>
Expenditures				
Contractual Services	<u>5,000</u>	<u>10,000</u>	<u>15,000</u>	<u>(5,000)</u>
Cash Receipts Over (Under) Expenditures	4,555	(2,357)		
Unencumbered Cash - Beginning	<u>16,060</u>	<u>20,615</u>		
Unencumbered Cash - Ending	\$ <u>20,615</u>	<u>18,258</u>		

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

SMITH COUNTY, KANSAS
911 Telephone Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Collections	\$ 19,339	17,542
Expenditures		
Commodities	9,152	22,965
Cash Receipts Over (Under) Expenditures	10,187	(5,423)
Unencumbered Cash - Beginning	25,082	35,269
Unencumbered Cash - Ending	\$ 35,269	29,846

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

SMITH COUNTY, KANSAS
E-911 Telephone Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
State Aid	\$ 18,520	93,088
Collections	7,971	7,798
Total Cash Receipts	26,491	100,886
Expenditures		
Commodities	28,240	79,774
Cash Receipts Over (Under) Expenditures	(1,749)	21,112
Unencumbered Cash - Beginning	22,133	20,384
Unencumbered Cash - Ending	\$ 20,384	41,496

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

SMITH COUNTY, KANSAS
Register of Deeds Technology Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Collections	\$ 5,259	7,458
Expenditures		
Capital Outlay	6,132	7,233
Cash Receipts Over (Under) Expenditures	(873)	225
Unencumbered Cash - Beginning	16,845	15,972
Unencumbered Cash - Ending	\$ 15,972	16,197

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

SMITH COUNTY, KANSAS
EMS Grant Memorial Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
EMS Equipment Safety Grant	\$ 3,138	1,720
Memorials	5,117	5,632
Total Cash Receipts	8,255	7,352
Expenditures		
Contractual Services	5,209	5,322
Cash Receipts Over (Under) Expenditures	3,046	2,030
Unencumbered Cash - Beginning	7,480	10,526
Unencumbered Cash - Ending	\$ 10,526	12,556

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

SMITH COUNTY, KANSAS

Sales Tax Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Sales Tax	\$ 433,976	474,663	423,838	50,825
Expenditures				
Capital Outlay	128,717	735	-	735
Lease Payment - Bank	2,760,790	71,389	71,389	-
Lease Payment - PBC	232,797	233,795	233,795	-
Additional Lease Payment - PBC	4,913	990	-	990
Total Expenditures	3,127,217	306,909	305,184	1,725
Cash Receipts Over (Under) Expenditures	(2,693,241)	167,754		
Unencumbered Cash - Beginning	2,805,123	111,882		
Unencumbered Cash - Ending	\$ 111,882	279,636		

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

SMITH COUNTY, KANSAS
Guest Tax Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Guest Tax	\$ 8,150	7,300
Expenditures		
Commodities	7,944	9,153
Cash Receipts Over (Under) Expenditures	206	(1,853)
Unencumbered Cash - Beginning	14,465	14,671
Unencumbered Cash - Ending	\$ 14,671	12,818

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

SMITH COUNTY, KANSAS
Bond and Interest Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 31,123	<u>30,011</u>	<u>30,218</u>	<u>(207)</u>
Expenditures				
Temporary Note Principal	27,500	27,500	27,500	-
Temporary Note Interest	3,078	2,391	2,391	-
Cash Basis Reserve	-	-	2,000	(2,000)
Neighborhood Revitalization Rebate	306	495	286	209
Total Expenditures	<u>30,884</u>	<u>30,386</u>	<u>32,177</u>	<u>(1,791)</u>
Cash Receipts Over (Under) Expenditures	239	(375)		
Unencumbered Cash - Beginning	<u>1,743</u>	<u>1,982</u>		
Unencumbered Cash - Ending	\$ <u>1,982</u>	<u>1,607</u>		

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

SMITH COUNTY, KANSAS
Solid Waste Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 211,014	209,117	205,000	4,117
Collections	36,966	41,570	37,000	4,570
Land Rent	3,979	3,824	7,500	(3,676)
Miscellaneous	19,017	6,914	5,000	1,914
Total Cash Receipts	<u>270,976</u>	<u>261,425</u>	<u>254,500</u>	<u>6,925</u>
Expenditures				
Personal Services	114,291	120,848	128,400	(7,552)
Contractual Services	90,010	70,293	69,300	993
Commodities	68,297	87,913	90,400	(2,487)
Capital Outlay	51,353	60,098	50,000	10,098
Transfers Out	-	-	65,000	(65,000)
Total Expenditures	<u>323,951</u>	<u>339,152</u>	<u>403,100</u>	<u>(63,948)</u>
Cash Receipts Over (Under) Expenditures	(52,975)	(77,727)		
Unencumbered Cash - Beginning	<u>222,214</u>	<u>169,239</u>		
Unencumbered Cash - Ending	\$ <u>169,239</u>	<u>91,512</u>		

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

SMITH COUNTY, KANSAS
Prosecuting Attorney's Training Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Collections	\$ 392	321
Expenditures		
Payments to Other Governments	221	1,125
Cash Receipts Over (Under) Expenditures	171	(804)
Unencumbered Cash - Beginning	1,598	1,769
Unencumbered Cash - Ending	\$ 1,769	965

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

SMITH COUNTY, KANSAS
Special Motor Vehicle Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Collections	\$ 411,289	416,447
Expenditures		
Payments to Other Governments	365,417	384,081
Personal Services	-	1,982
Contractual Services	14,243	11,755
Commodities	15,042	2,710
Capital Outlay	23,713	8,098
Transfers Out	5,253	7,821
Total Expenditures	423,668	416,447
Cash Receipts Over (Under) Expenditures	(12,379)	-
Unencumbered Cash - Beginning	12,379	-
Unencumbered Cash - Ending	\$ -	-

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

Smith County, Kansas
Distributable Funds, State Funds, and Subdivision Funds
 Summary of Cash Receipts and Cash Disbursements
 For the Year Ended December 31, 2011

Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Distributable Funds				
Advance Tax	\$ -	1,906	1,906	-
Neighborhood Revitalization	403	112,849	113,252	-
Current Tax	4,551,506	7,481,804	7,122,026	4,911,284
Bankruptcy Holding	480	-	368	112
Delinquent Personal Property	7,641	13,453	14,277	6,817
Real Estate Redemptions	36,411	330,104	160,366	206,149
Motor Vehicle Tax	157,834	796,883	818,934	135,783
Total Distributable Funds	4,754,275	8,736,999	8,231,129	5,260,145
State Funds				
State Institutional Building	-	18,266	18,330	(64)
State Educational Building	-	36,532	36,660	(128)
Total State Funds	-	54,798	54,990	(192)
Subdivision Funds				
Cities	-	1,046,369	1,058,267	(11,898)
Townships	2,078	144,327	145,023	1,382
School Districts	-	1,657,523	1,663,888	(6,365)
Irrigation Districts	-	366,880	366,880	-
Other Special Districts	-	38,724	38,726	(2)
Cemeteries	367	20,314	20,220	461
Total Subdivision Funds	2,445	3,274,137	3,293,004	(16,422)
Total	\$ 4,756,720	12,065,934	11,579,123	5,243,531

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

Smith County, Kansas
Agency Funds
Summary of Cash Receipts and Cash Disbursements
For the Year Ended December 31, 2011

Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Agency Funds				
Payroll Withholding	\$ -	315,794	312,923	2,871
Smith County Veteran Memorial	5,048	1,000	538	5,510
Drivers Licenses	4,803	2,652	1,448	6,007
Sales Tax	22,387	355,694	355,029	23,052
Game Licenses	-	15,459	15,459	-
Heritage Trust	352	1,874	1,803	423
Diversion Fee	7,186	3,408	1,000	9,594
Escrow	151,445	330,804	434,836	47,413
Passport Fee	3,322	1,025	1,318	3,029
Concealed Weapon	2,003	195	-	2,198
Sexual Predator Registration	980	420	-	1,400
State and Local Assistance	9,439	15,592	14,439	10,592
Sheriff VINS	2,840	2,516	5,356	-
Register of Deeds	226	47,772	47,614	384
Clerk of District Court	14,470	109,861	118,297	6,034
Sheriff	110	9,618	9,453	275
Total	\$ 224,611	1,213,684	1,319,513	118,782

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

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Smith County, Kansas has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

Reporting Entity

The County is a municipal corporation governed by an elected three-member commission. These financial statements of the County consist of all the funds of the County that are considered to be controlled by or dependent on the County. Control of dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

The following is a component unit of **Smith County, Kansas**. The County exercises significant influence or accountability based primarily on operational or financial relationships with the County. The component unit is not included in the County's financial statements.

Smith County, Kansas Public Building Commission

Smith County, Kansas Public Building Commission is organized under Kansas statutes for the purpose of acquiring a site for constructing, reconstructing, equipping and furnishing, or otherwise acquiring a building or other facilities of a revenue producing character for the benefit of **Smith County, Kansas**. The Board's members are appointed by the County Commission. The County substantially funds the Board's operations by leasing the building from the Board. Smith County, Kansas Public Building Commission's audited financial statements can be obtained from the Smith County Clerk's office.

The County is the primary government as defined in GASB #14 and further amended by GASB #39. The County Commissioners are elected by the public. The Commissioners have the authority to make decisions, levy taxes, influence operations and have the primary accountability in fiscal matters.

Use of Estimates

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these estimates.

Basis of Presentation – Fund Accounting

The accounts of the County are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements

The following categories of funds comprise the financial activities of the County for the year end December 31, 2011.

Governmental Fund Categories

General Fund – to account for all financial resources except those required to be reported in another fund.

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special Revenue Funds – to account for the proceeds of specific revenue sources that are legally restricted to expenditure for a specified purpose.

Debt Service Fund – to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Proprietary Fund Category

Enterprise Fund – to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Categories

Private Purpose Trust Funds – to account for assets held by the County as trustee or agent for others. The principal and income of these funds may be expended in the course of the fund's designated operations.

Agency Funds – to account for assets held by the County as trustee or agent for others.

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 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 K.S.A. 75-1120(a)(c), waiving the requirement for application of generally accepted accounting principles and allowing the County to use the statutory basis of accounting.

Departure From Accounting Principles Generally Accepted in the United States of America

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 expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the County are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information

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

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of hearing on the budget.
- c. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
- d. 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 10 days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments for this year.

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 County 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 project funds, fiduciary funds and the following special revenue funds: Bridge Building Fund, Special Machinery Fund, 911 Telephone Fund, E-911 Telephone Fund, Register of Deeds Technology Fund, EMS Grant Memorial Fund, Sales Tax Fund and the Guest Tax 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.

Deposits and Investments

The County follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary of cash receipts, expenditures, and unencumbered cash.

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 County 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.

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 a 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 does not use "peak periods". All deposits were legally secured at December 31, 2011.

At December 31, 2011, the County's carrying amount of deposits was \$7,417,886 and the bank balance was \$7,400,400. The bank balance was held by four banks resulting in a concentration of credit risk. Of the bank balance, \$585,000 was covered by federal depository insurance and \$6,815,400 was collateralized with securities held by the pledging financial institutions' agents in the County's name.

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 of collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The County had no investments at December 31, 2011.

Compensated Absences

Employees of the County earn one day of vacation and eight hours of sick leave per month of employment. Vacation is not allowed until one year of employment is completed. The County's policies regarding vacation and sick pay permit employees to accumulate a maximum of 24 days vacation and a maximum accumulation of 100 days sick leave. Unused vacation due to an employee who terminates employment with the County will be paid on the payroll following the final date of employment. The amount of accumulated vacation as of December 31, 2011 totaled \$107,637 and is recorded in each fund at year end. Accumulated sick leave over 30 days shall be paid to the employee upon termination of employment at the regular rate of pay, at the rate of four hours pay for each day credited. The potential accrued sick leave liability as of December 31, 2011 is approximately \$48,376.

Employees of the County may accrue a maximum of 240 hours of compensatory time. Compensatory time will be paid upon termination of employment for the unused time. Employees may use compensatory time accrued. Compensatory time is paid at time and a half of the employee's base wage. Accrued compensatory time as of December 31, 2011 was \$23,871 and is recorded in various funds at year end.

Deferred Compensation Plan

The County sponsors a deferred compensation plan under Internal Revenue Code Section 457(b). Permanent and part-time employees are eligible to participate under the plan. The employee is responsible for the amount of deferred compensation to be contributed. The County is not responsible to make any contributions.

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Defined Benefit 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 Avenue, Suite 100, Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. 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 basis. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The employer rate established by statute for calendar year 2011 was 7.74%. The County's employer contributions to KPERs for the years ending December 31, 2011, 2010, and 2009 were \$151,047, \$128,948, and \$106,366, respectively, equal to the required contributions for each year as set forth by the legislature.

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 Budget Reconciliation Act (COBRA), the County makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the County for this coverage. The premium is paid in full by the insured. There is no cost to the County under this program.

Property Tax Calendar

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. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

Restricted Assets

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts. Also, cash is restricted in the trust and agency funds of the County for special purposes.

Reimbursements

The County records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures (or expenses) are properly offset by the reimbursements.

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 2 - CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require that **Smith County, Kansas** place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. In addition to current year expenditures relating to the operation of the landfill, as provided in the Solid Waste Fund in these financial statements, the County is incurring a liability based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste.

The County's estimate of the closure and postclosure care liability at year end was \$136,186. This liability is based on the use of 23% of the estimated cost of closure and postclosure care of \$592,112. These amounts are based on what it would cost to perform all closure and postclosure care in 2011. The County expects the landfill to continue to operate indefinitely. Actual costs may be higher due to inflation, changes in technology or in regulations. The County has not restricted any of its assets for payment of closure and postclosure care costs.

The County has a Municipal Solid Waste Landfill that was closed February 26, 1999. State and federal laws and regulations require the County to perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. The County recognized monitoring and maintenance cost along with final closure costs of \$5,773 for 2011.

The County is meeting the financial assurance requirements through the Local Government Financial Test. This test involves four components: financial, public notice, recordkeeping and reporting, and calculation of costs to be assured. The County has satisfied all four requirements.

NOTE 3 - INTERFUND TRANSFERS

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas statutes. **Smith County, Kansas'** interfund transfers and statutory authority for the year ended December 31, 2011 were as follows:

From	To	Statutory Authority	Amount
Special Motor Vehicle Fund	General Fund	K.S.A. 8-145	\$ 7,821

NOTE 4 - LITIGATION

Smith County, Kansas is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the funds of the County.

NOTE 5 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has been unable to obtain workers compensation insurance at a cost it considered to be economically justifiable. For this reason, the County joined together with other counties in the State to participate in the Kansas Workers Risk Cooperative for Counties (KWORC), a public entity risk pool currently operating as a common risk management and insurance program for 68 participating members.

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 5 - RISK MANAGEMENT (continued)

The County pays an annual premium to KWORC for its workers compensation insurance coverage. The agreement to participate provides that the KWORC will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$600,000 for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KWORC management. During 2011, the County contributed \$53,051 to the fund for this insurance coverage.

The County carries commercial insurance for all other risks of loss, including property, general liability, inland marine, crime, automobile, umbrella, linebacker, and employee dishonesty. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6 - GRANTS AND SHARED REVENUES

Smith County, Kansas participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the County, any liability for reimbursement, which may arise as the result of these audits, is not believed to be material.

NOTE 7 - COMPARATIVE DATA

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in **Smith County, Kansas'** cash and unencumbered cash balances. However, complete comparative data (presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

NOTE 8 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Per K.S.A. 19-716, the County Attorney should review and approve warrants presented for payment.

Per K.S.A. 79-2301, the County shall have a real estate tax sale on all unpaid real estate taxes in each year. The last real estate tax sale was in 1996.

Expenditures exceeded the adopted budget in the following funds, which is in violation of K.S.A. 79-2935:

Hospital Maintenance Fund	\$ (1,879)
Ambulance Service Fund	(14,677)
Sales Tax Fund	(1,725)

Expenditures exceeded available monies in the following funds, which is in violation of K.S.A. 10-1113:

Hospital Maintenance Fund	\$ (741)
Mental Health Fund	(81)
Mental Retardation Fund	(95)
USD 237 - General Fund	(2,554)
USD 237 - Supplemental General Fund	(3,174)

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 8 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

USD 237 - Capital Outlay Fund	\$ (637)
Center Township - Cemetery Fund	(91)
Smith Center - General Fund	(7,075)
Smith Center - Library Fund	(786)
Smith Center - Employee Benefit Fund	(3,553)
Smith Center - Recreation Fund	(3,693)
Smith Center - Industrial Development Fund	(121)
CKLS - General Fund	(2)
State Educational Building Fund	(125)
State Institutional Building Fund	(64)

NOTE 9 - LEASE

The County entered into a lease agreement with Smith County, Kansas Public Building Commission. Smith County, Kansas Public Building Commission leases the property from the County and provided \$2,630,000 to acquire, finance and refinance the hospital building and lease the facility to **Smith County, Kansas**. Smith County, Kansas Public Building Commission will surrender and deliver the hospital building to the County upon the expiration of these lease obligations. The term of the lease obligations commenced on December 15, 2009 and will end on December 1, 2024. In the event of default, Smith County, Kansas Public Building Commission shall have the right to possession of the land for the remainder of the term of the lease and shall have the right to sublease the project or sell its interest in the project and the lease upon whatever terms and conditions it deems prudent and in the interest of the owners of the bonds. Title of the land shall remain in the County at all times. The construction and financing of the project and the leasing of the facility to the County under the lease shall be deemed the County's entire consideration for the lease obligation.

NOTE 10 - LONG-TERM DEBT

Smith County, Kansas has the following types of long-term debt.

Lease Obligations

The County has entered into lease agreements with an option to purchase at the expiration of the lease terms. The leases contain a fiscal funding clause.

The County entered into a lease obligation for \$2,630,000 with Smith County, Kansas Public Building Commission for the lease of the Smith County, Kansas Hospital building. The County is obligated to make payments to Smith County, Kansas Public Building Commission equivalent to the debt that the Commission has assumed and to pay its outstanding revenue bonds. The Commission covenants that unless the County is in default under the lease obligation, it will not, without the County's written consent unless required by law, sell or otherwise part with or encumber its fee or other ownership interest in the project at any time during the life of the lease obligation. The covenants agreed to state that the County, during the term of the lease obligation, shall keep and maintain the project and all parts thereof in good condition and repair, including but not limited to the furnishing of all parts, mechanisms and devices required to keep the machinery, equipment and personal property constituting a part of the project in good mechanical and working order, and that during said period of time it will keep the project and all parts thereof free from filth, nuisance or conditions unreasonably increasing the danger of fire.

SMITH COUNTY, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 10 - LONG-TERM DEBT (continued)

Revolving Loan

The County entered into a \$64,420 revolving loan agreement on December 27, 2004 with the Kansas Department of Transportation acting on behalf of the State of Kansas to finance the Cedar Bridge Project.

Temporary Notes

The County issued \$295,000 in temporary notes pursuant to Kansas statutes for the financing of the Emergency Medical Service building project.

Changes in long-term liabilities for the County at December 31, 2011 and current maturities of long-term debt and interest for the next five years and in five year increments through maturity are included on pages 42 and 43.

Smith County, Kansas
Notes to Financial Statements
For the Year Ended December 31, 2011

NOTE 10 - LONG-TERM DEBT (continued)

Changes in long-term liabilities for the County for the year ended December 31, 2011, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/Payments	Net Change	Balance End of Year	Interest Paid
Capital Leases										
General Fund										
Motorola MCC 5500 Console	4.50%	02/19/08	\$ 60,275	02/19/12	31,467	-	(15,387)		16,080	1,416
Road and Bridge Fund										
Cat 983 Loader SN BBD02778	5.25%	08/04/06	209,219	08/04/11	46,231	-	(46,231)		-	2,427
2006 12H Cat Motorgrader	4.50%	10/14/08	190,000	02/01/12	126,667	-	(126,667)		-	7,505
2 Cat 120MAWD Motorgraders	2.14%	09/29/11	461,000	09/29/16	-	461,000	-		461,000	-
Ambulance Fund										
Heart Monitors	1.89%	09/09/11	88,416	09/09/14	-	88,416	-		88,416	-
Sales Tax Fund										
Hospital Building Lease	1.75-4.50%	12/15/09	2,630,000	12/01/24	2,485,000	-	(145,000)		2,340,000	88,795
Pryor Automatic Fire Sprinkler System	3.50%	05/04/09	200,000	05/04/12	135,611	-	(66,643)		68,968	4,746
Total Capital Leases										
					2,824,976	549,416	(389,928)		2,974,464	104,889
Revolving Loan										
KDOT Revolving Loan - Bridge Construction	3.62%	05/09/05	64,420	08/01/14	27,926	-	(6,589)		21,337	1,080
Temporary Notes										
EMS Construction Note	2.50%	06/22/04	295,000	10/01/14	102,500	-	(27,500)		75,000	2,391
Total Contractual Indebtedness										
					2,955,402	549,416	(434,017)		3,070,801	108,360
Compensated Absences										
Landfill Closure and Post Closure Care					48,696			(320)	48,376	-
					124,344			11,842	136,186	-
Total Long-Term Debt										
					\$ 3,128,442	549,416	(434,017)	11,522	3,255,363	108,360

Smith County, Kansas
Notes to Financial Statements
For the Year Ended December 31, 2011

NOTE 10 - LONG-TERM DEBT (continued)

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

	YEAR							Total
	2012	2013	2014	2015	2016	2017 - 2021	2022 - 2024	
Principal								
Capital Leases	\$ 352,284	269,704	277,192	254,138	261,146	915,000	645,000	2,974,464
Revolving Loan	6,844	7,109	7,384	-	-	-	-	21,337
Temporary Notes	27,500	27,500	20,000	-	-	-	-	75,000
Total Principal	386,628	304,313	304,576	254,138	261,146	915,000	645,000	3,070,801
Interest								
Capital Leases	100,464	91,383	85,031	77,962	70,874	247,188	51,175	724,077
Revolving Loan	826	561	286	-	-	-	-	1,673
Temporary Notes	1,703	1,016	328	-	-	-	-	3,047
Total Interest	102,993	92,960	85,645	77,962	70,874	247,188	51,175	728,797
Total Principal and Interest	\$ 489,621	397,273	390,221	332,100	332,020	1,162,188	696,175	3,799,598

Smith County, Kansas

Supplementary Information



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Accountants

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

To the County Commission
Smith County, Kansas
Smith Center, Kansas

We have audited the financial statements of **Smith County, Kansas** as of and for the year ended December 31, 2011, and have issued our report thereon dated July 05, 2012. The report on the audited financial statements was adverse because it was not presented in conformity with accounting principles generally accepted in the United States of America; however, it was unqualified as presented on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide* and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a *reasonable possibility* that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs (2011-1) to be a material weakness.

Smith County, Kansas

Page 2

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs (2011-2) to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Smith County, Kansas'** 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 **Smith County, Kansas** in a separate letter dated July 05, 2012.

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

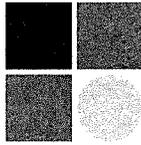
This report is intended solely for the information and use of management, County Commission, others within the entity, federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.



ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants

July 05, 2012



Certified
Public
Accountants

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

To the County Commission
Smith County, Kansas
Smith Center, Kansas

Compliance

We have audited **Smith County, Kansas'** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of **Smith County, Kansas'** major federal programs for the year ended December 31, 2011. **Smith County, Kansas'** 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 **Smith County, Kansas'** management. Our responsibility is to express an opinion on **Smith County, Kansas'** 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 Kansas Municipal Audit Guide; 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 **Smith County, Kansas'** 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 **Smith County, Kansas'** compliance with those requirements.

In our opinion, **Smith County, Kansas** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of **Smith 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 **Smith County, Kansas'** internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Smith County, Kansas'** internal control over compliance.

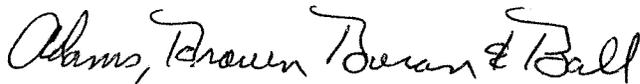
Smith County, Kansas

Page 2

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

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

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



ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants

July 05, 2012

SMITH COUNTY, KANSAS
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Qualified

Internal control over financial reporting:

- Material weakness identified? X Yes No
- Significant deficiency identified? X Yes None reported
- Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness identified? Yes X No
- Significant deficiencies identified? Yes X None reported

Type of auditors' 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 OMB Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
97.036	Disaster Grants - Public Assistance

Dollar threshold used to distinguish between Type \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

SMITH COUNTY, KANSAS
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

A. Material Weakness in Internal Control

2011-1

Criteria or specific requirement

Internal controls should be in place to ensure that employees do not have incompatible duties.

Condition

Proper segregation of duties does not exist in the accounting system.

Effect

Management may not become aware of the problems or irregularities within a timely manner.

Cause District

The County is unable to hire additional personnel due to its size.

Recommendation

Procedures should be established and implemented where the County implements segregation of duties in the receipts and expenditures cycles and implements additional internal control.

Views of responsible officials and planned corrective actions

The County is aware that employees have incompatible duties; however, due to the size of the County, it would not be feasible to hire additional personnel.

B. Significant Deficiency in Internal Control

2011-2

Criteria or specific requirement

County personnel responsible for the accounting and reporting function should have the necessary skills and knowledge to prepare financial statements and related footnotes in conformity with the cash basis and budget laws of the State of Kansas.

Condition

County personnel responsible for the accounting and reporting function do not have the necessary skills and knowledge to prepare the County's financial statements.

Effect

Financial transactions, financial statements, and notes may not properly reflect financial information in accordance with the cash basis and budget laws of the State of Kansas.

Cause

Due to the limited size of the County, it is not practical to hire fully qualified staff to the extent that they possess all of the skills required in order to apply statutory basis of accounting including relevant note disclosures.

Recommendation

Continual training of accounting personnel should be implemented to ensure financial transactions and financial statements are being presented as accurately as possible.

SMITH COUNTY, KANSAS
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2011

Views of responsible officials and planned corrective actions

The County is aware that personnel responsible for the accounting and reporting function do not have the necessary skills and knowledge to apply statutory basis of accounting. However, due to the size and financial resources of the County, it would not be feasible to obtain the necessary training.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No material findings or questioned costs are required to be disclosed under OMB Circular A-133.

SMITH COUNTY, KANSAS
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2011

No material findings or questioned costs for the year ended December 31, 2010 are required to be disclosed under OMB Circular A-133.

SMITH COUNTY, KANSAS
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass- through Number	Federal Expenditures
U.S. Department of Homeland Security			
Passed Through State Division of Emergency Management			
Disaster Grants - Public Assistance	97.036	N/A	\$ 547,108
Disaster Grants - Hazard Mitigation	97.039	N/A	<u>73,197</u>
Total U.S. Department of Homeland Security			<u>620,305</u>
U.S. Department of Housing and Urban Development			
Passed Through Office of Community Planning and Development			
Community Development Block Grant	14.228	N/A	<u>63,053</u>
Department of Health and Human Services			
Passed Through Kansas State Department of Health and Environment			
Family Planning - Services	93.217	6FPHPA07009-42	1,862
		6FPHPA07009-43	1,741
Public Health Emergency Preparedness	93.069	U90TP716985-10W1	3,755
		U90TP716985-11	<u>5,913</u>
Total Department of Health and Human Services			<u>13,271</u>
Total Expenditures of Federal Awards			\$ <u>683,358</u>

See accompanying notes to schedule of expenditures of federal awards.

SMITH COUNTY, KANSAS
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **Smith County, Kansas**, and is presented on the basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.