

GRAY COUNTY, KANSAS

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2008**

GRAY COUNTY, KANSAS

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Gray County, Kansas

We have audited the accompanying financial statements of Gray County, Kansas, as of and for the year ended December 31, 2008, which collectively comprise the basic financial statements of the County's primary government, as listed in the table of contents. These financial statements are the responsibility of the County's 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 and 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 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 opinion.

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The effect on the financial statements of the omission of the component units, although not reasonably determinable, is presumed to be material.

As described more fully in Note A, Gray County, Kansas, has prepared these financial statements using accounting practices prescribed by 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 regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the omission of the discretely presented component units, as discussed above, and 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 the County as of December 31, 2008, or the changes in its financial position for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the primary government of Gray County, Kansas, as of December 31, 2008, its cash receipts and expenditures, and budgetary results for the year then ended on the basis of accounting described in Note A.

Kennedy McKee & Company LLP

July 29, 2009

GRAY COUNTY, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH

Year ended December 31, 2008

<u>Fund</u>	Beginning unencumbered cash balance (deficit)	Prior year canceled encumbrances	Cash receipts
Governmental type funds:			
General	\$ 904,333	\$ -	\$ 1,934,205
Special revenue funds:			
Road and bridge	89,160	-	2,661,463
Special bridge	426,034	-	61,686
Waste disposal	120,842	-	306,373
Noxious weed	34,301	-	151,766
County health	45,740	-	135,746
Mental health	2,898	-	42,282
Retarded citizens	2,209	-	31,685
Conservation district	1,475	-	24,625
Extension council	7,687	-	113,805
Historical society	547	-	8,176
Free fair	8,826	-	127,145
Council on aging	4,916	-	73,844
Ambulance	56,891	-	317,249
Appraiser's cost	74,844	-	190,508
Direct election expense	27,701	-	25,968
Tort liability expense	108,492	-	-
Employee benefits	235,987	-	951,842
Rural fire district	40,587	-	97,264
County library	2,214	-	31,894
Non-budgeted special revenue funds:			
Special highway	41,640	-	220,501
Register of deeds technology	7,844	-	9,494
Special health	79,972	-	101,183
Regional bio-terrorism	(2,189)	-	59,352
Ambulance special equipment	26,424	-	449
PSAP 911 E	(1,344)	-	40,581
Capital improvements	84,508	-	332,365
Equipment reserve	-	-	215,340
CDBG Grant #1	1,245	-	14,934
P.A.T.F.	10,702	-	901
Special law enforcement trust	3,642	-	5
Special vehicle	28,738	-	58,384
Postage	2,500	-	14,686
Veterans memorial	24,150	-	6,040
Alcohol programs	63	-	459
Parks and recreation	63	-	459
Drug task force	894	-	-
Total - excluding agency funds	<u>\$ 2,504,536</u>	<u>\$ -</u>	<u>\$ 8,362,659</u>

<u>Expenditures</u>	<u>Ending unencumbered cash balance</u>	<u>Add outstanding encumbrances and accounts payable</u>	<u>Ending cash balance</u>
\$ 2,215,002	\$ 623,536	\$ 123,837	\$ 747,373
2,668,982	81,641	88,986	170,627
22,311	465,409	-	465,409
391,204	36,011	8,833	44,844
155,324	30,743	3,324	34,067
151,136	30,350	11,505	41,855
43,128	2,052	-	2,052
32,329	1,565	-	1,565
25,000	1,100	-	1,100
116,000	5,492	-	5,492
8,330	393	-	393
129,650	6,321	-	6,321
75,180	3,580	-	3,580
310,477	63,663	8,437	72,100
193,475	71,877	8,236	80,113
32,635	21,034	460	21,494
-	108,492	-	108,492
943,960	243,869	17,206	261,075
111,207	26,644	37,958	64,602
32,550	1,558	-	1,558
69,825	192,316	-	192,316
4,966	12,372	-	12,372
104,566	76,589	1,017	77,606
51,661	5,502	8,650	14,152
10,675	16,198	-	16,198
5,852	33,385	-	33,385
33,661	383,212	11,379	394,591
181,960	33,380	126,750	160,130
16,179	-	1,245	1,245
442	11,161	-	11,161
-	3,647	-	3,647
56,008	31,114	38	31,152
13,424	3,762	-	3,762
28,398	1,792	-	1,792
-	522	-	522
187	335	-	335
-	894	-	894
<u>\$ 8,235,684</u>	<u>\$ 2,631,511</u>	<u>\$ 457,861</u>	<u>\$ 3,089,372</u>

GRAY COUNTY, KANSAS

**SUMMARY OF CASH RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH (CONTINUED)**

Year ended December 31, 2008

	<u>Ending cash balance</u>
Composition of cash balance:	
Cash on hand	\$ 190,620
Checking accounts	1,390,325
Savings accounts	5,514,267
Certificates of deposit	2,525,000
Credit card deposit on hand	<u>510</u>
Total cash	9,620,722
Agency funds	<u>(6,531,350)</u>
Total - excluding agency funds	<u><u>\$ 3,089,372</u></u>

The accompanying notes are an integral
part of the financial statements.

GRAY COUNTY, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2008

<u>Fund</u>	<u>Certified budget</u>	<u>Adjustment for qualifying budget credits</u>	<u>Total budget for comparison</u>	<u>Expenditures chargeable to current year</u>	<u>Variance favorable (unfavorable)</u>
General fund	\$ 2,267,582	\$ -	\$ 2,267,582	\$ 2,215,002	\$ 52,580
Special revenue funds:					
Road and bridge	2,520,000	148,982	2,668,982	2,668,982	-
Special bridge	298,750	-	298,750	22,311	276,439
Waste disposal	451,000	-	451,000	391,204	59,796
Noxious weed	157,000	-	157,000	155,324	1,676
County health	152,970	-	152,970	151,136	1,834
Mental health	43,128	-	43,128	43,128	-
Retarded citizens	32,329	-	32,329	32,329	-
Conservation district	25,000	-	25,000	25,000	-
Extension council	116,000	-	116,000	116,000	-
Historical society	8,330	-	8,330	8,330	-
Free fair	129,650	-	129,650	129,650	-
Council on aging	75,180	-	75,180	75,180	-
Ambulance	325,000	-	325,000	310,477	14,523
Appraiser's cost	218,166	-	218,166	193,475	24,691
Direct election expense	39,000	-	39,000	32,635	6,365
Tort liability expense	108,492	-	108,492	-	108,492
Employee benefits	1,133,000	-	1,133,000	943,960	189,040
Rural fire district	115,000	-	115,000	111,207	3,793
County library	32,550	-	32,550	32,550	-
 Total primary government	 <u>\$ 8,248,127</u>	 <u>\$ 148,982</u>	 <u>\$ 8,397,109</u>	 <u>\$ 7,657,880</u>	 <u>\$ 739,229</u>

The accompanying notes are an integral
part of the financial statements.

GRAY COUNTY, KANSAS

GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2007	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 791,497	\$ 657,192	\$ 635,281	\$ 21,911
Delinquent tax	8,329	10,979	8,069	2,910
Motor vehicle tax	102,116	100,461	90,076	10,385
Recreational vehicle tax	1,817	1,992	1,656	336
16/20M truck tax	3,860	4,597	5,896	(1,299)
Interest on delinquent tax	23,003	19,325	10,000	9,325
Local sales tax	332,317	396,813	260,000	136,813
Mineral production tax	5,851	5,892	2,000	3,892
Licenses, permits and fees:				
Mortgage registration fees	82,903	122,603	30,000	92,603
County officers' fees	20,696	22,432	15,000	7,432
911E tariff tax	28,083	26,062	28,000	(1,938)
Diversion fees	27,080	28,790	15,000	13,790
Other fees	4,733	3,591	5,000	(1,409)
Charges for services:				
Law enforcement contract	180,000	120,000	160,000	(40,000)
Interest	186,866	148,236	150,000	(1,764)
Gift from FPL Energy	170,046	178,572	170,046	8,526
Farm income	16,934	24,725	3,000	21,725
Other	37,996	33,205	20,000	13,205
Operating transfers in	585	28,738	4,000	24,738
	2,024,712	1,934,205	\$ 1,613,024	\$ 321,181
Expenditures:				
County commissioners:				
Personal services	25,362	26,409	\$ 26,500	\$ 91
Contractual services	2,869	2,786	3,500	714
	28,231	29,195	30,000	805

GRAY COUNTY, KANSAS

GENERAL FUND

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET (CONTINUED)**

	Year ended December 31,			Variance favorable (unfavorable)
	2007	Actual	Budget	
County clerk:				
Personal services	\$ 77,501	\$ 82,710	\$ 86,100	\$ 3,390
Commodities	1,781	1,432	4,000	2,568
Contractual services	4,735	10,991	7,000	(3,991)
Capital outlay	-	-	3,000	3,000
Subtotal	<u>84,017</u>	<u>95,133</u>	<u>100,100</u>	<u>4,967</u>
County treasurer:				
Personal services	103,547	108,397	114,000	5,603
Commodities	5,603	3,540	6,500	2,960
Contractual services	5,526	5,838	11,500	5,662
Capital outlay	959	-	6,000	6,000
Subtotal	<u>115,635</u>	<u>117,775</u>	<u>138,000</u>	<u>20,225</u>
County attorney:				
Personal services	77,886	81,011	81,900	889
Commodities	207	1,191	4,000	2,809
Contractual services	50,114	40,780	48,000	7,220
Capital outlay	-	-	12,000	12,000
Subtotal	<u>128,207</u>	<u>122,982</u>	<u>145,900</u>	<u>22,918</u>
Register of deeds:				
Personal services	59,727	63,692	62,542	(1,150)
Commodities	3,871	4,734	6,700	1,966
Contractual services	7,469	2,142	5,900	3,758
Capital outlay	-	-	3,400	3,400
Subtotal	<u>71,067</u>	<u>70,568</u>	<u>78,542</u>	<u>7,974</u>
Custodian:				
Personal services	46,589	57,658	55,200	(2,458)
Commodities	9,185	6,241	15,000	8,759
Contractual services	35	-	-	-
Capital outlay	-	-	2,000	2,000
Subtotal	<u>55,809</u>	<u>63,899</u>	<u>72,200</u>	<u>8,301</u>

GRAY COUNTY, KANSAS

GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET (CONTINUED)

	Year ended December 31,			Variance favorable (unfavorable)
	2007	2008		
	2007	Actual	Budget	
District court:				
Commodities	\$ 6,286	\$ 3,228	\$ 5,050	\$ 1,822
Contractual services	45,326	48,374	57,200	8,826
Capital outlay	5,238	2,298	5,515	3,217
Subtotal	56,850	53,900	67,765	13,865
Courthouse general:				
Personal services	70,515	74,015	75,350	1,335
Commodities	23,607	24,237	30,000	5,763
Contractual services	228,865	232,740	300,000	67,260
Capital outlay	20,772	7,265	50,000	42,735
Subtotal	343,759	338,257	455,350	117,093
Sheriff:				
Personal services	614,778	668,557	633,000	(35,557)
Commodities	131,707	128,632	110,000	(18,632)
Contractual services	89,717	120,417	160,000	39,583
Capital outlay	114,848	36,315	105,000	68,685
Subtotal	951,050	953,921	1,008,000	54,079
Civil defense:				
Commodities	1,543	8,068	1,500	(6,568)
Contractual services	5,000	5,555	1,500	(4,055)
Capital outlay	-	17,165	30,000	12,835
Subtotal	6,543	30,788	33,000	2,212
Weather modification	26,725	26,725	26,725	-
Diversion fees:				
Personal services	19,014	17,805	25,000	7,195
Commodities	-	-	12,000	12,000
Contractual services	-	500	-	(500)
Capital outlay	-	-	3,000	3,000
Subtotal	19,014	18,305	40,000	21,695

GRAY COUNTY, KANSAS

GENERAL FUND

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET (CONTINUED)**

	Year ended December 31,			Variance favorable (unfavorable)
	2007	Actual	Budget	
Farm expense:				
Commodities	\$ 3,225	\$ 7,610	\$ 5,000	\$ (2,610)
Contractual services	2,376	3,715	5,000	1,285
Capital outlay	-	-	10,000	10,000
Subtotal	<u>5,601</u>	<u>11,325</u>	<u>20,000</u>	<u>8,675</u>
Sanitation	<u>24,437</u>	<u>2,445</u>	<u>-</u>	<u>(2,445)</u>
Reimbursed expenditures	<u>(98,008)</u>	<u>(121,930)</u>	<u>(48,000)</u>	<u>73,930</u>
Transfer to other funds:				
Capital improvement	74,334	303,374	100,000	(203,374)
Equipment reserve	-	98,340	-	(98,340)
Subtotal	<u>74,334</u>	<u>401,714</u>	<u>100,000</u>	<u>(301,714)</u>
Total expenditures	<u>1,893,271</u>	<u>2,215,002</u>	<u>\$ 2,267,582</u>	<u>\$ 52,580</u>
Receipts over (under) expenditures	131,441	(280,797)		
Unencumbered cash, beginning of year	<u>772,892</u>	<u>904,333</u>	<u>\$ 654,558</u>	<u>\$ 249,775</u>
Unencumbered cash, end of year	<u>\$ 904,333</u>	<u>\$ 623,536</u>		

The accompanying notes are an integral
part of the financial statements.

GRAY COUNTY, KANSAS

ROAD AND BRIDGE FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2007	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 1,739,893	\$ 1,813,244	\$ 1,760,261	\$ 52,983
Delinquent tax	13,522	20,490	17,692	2,798
Motor vehicle tax	186,966	219,165	197,422	21,743
Recreational vehicle tax	3,336	4,367	3,628	739
16/20M tax	5,425	8,444	5,896	2,548
Gasoline tax	442,243	432,234	456,311	(24,077)
State and federal aid	76,701	148,982	-	148,982
Other	3,862	14,537	-	14,537
Total cash receipts	2,471,948	2,661,463	\$ 2,441,210	\$ 220,253
Expenditures:				
Highway and streets	2,515,287	2,524,414	\$ 2,520,000	\$ (4,414)
Reimbursed expenditures	(99,950)	(75,933)	-	75,933
Transfer to special highway	81,364	220,501	-	(220,501)
Adjustment for qualifying budget credits	-	-	148,982	148,982
Total expenditures	2,496,701	2,668,982	\$ 2,668,982	\$ -
Receipts over (under) expenditures	(24,753)	(7,519)		
Unencumbered cash, beginning of year	113,913	89,160	\$ 78,790	\$ 10,370
Unencumbered cash, end of year	\$ 89,160	\$ 81,641		

The accompanying notes are an integral part of the financial statements.

GRAY COUNTY, KANSAS

SPECIAL BRIDGE FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2007	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 124,515	\$ 43,965	\$ 41,739	\$ 2,226
Delinquent tax	442	1,059	1,235	(176)
Motor vehicle tax	14,971	15,667	14,062	1,605
Recreational vehicle tax	270	311	258	53
16/20M tax	-	684	420	264
Other	309	-	-	-
Total cash receipts	140,507	61,686	\$ 57,714	\$ 3,972
Expenditures:				
Highways and streets	16,264	22,311	\$ 298,750	\$ 276,439
Receipts over (under) expenditures	124,243	39,375		
Unencumbered cash, beginning of year	301,791	426,034	\$ 241,036	\$ 184,998
Unencumbered cash, end of year	<u>\$ 426,034</u>	<u>\$ 465,409</u>		

The accompanying notes are an integral part of the financial statements.

GRAY COUNTY, KANSAS

WASTE DISPOSAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2007	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 79,991	\$ -	\$ -	\$ -
Special assessments	176,207	203,913	206,640	(2,727)
Delinquent tax	399	778	812	(34)
Motor vehicle tax	893	9,827	9,065	762
Recreational vehicle tax	16	200	167	33
16/20M tax	83	39	271	(232)
Charges for services	88,842	91,172	116,940	(25,768)
Other	197	444	-	444
Total cash receipts	346,628	306,373	\$ 333,895	\$ (27,522)
Expenditures:				
Sanitation:				
Overhead	3,355	8,310	\$ 15,000	\$ 6,690
Equipment maintenance	2,181	12,851	56,000	43,149
Capital outlay	132,877	1,042	30,000	28,958
Contractual services	327,861	348,392	350,000	1,608
Payroll	9,163	23,054	-	(23,054)
Reimbursed expenditures	(24,437)	(2,445)	-	2,445
Total expenditures	451,000	391,204	\$ 451,000	\$ 59,796
Receipts over (under) expenditures	(104,372)	(84,831)		
Unencumbered cash, beginning of year	225,214	120,842	\$ 121,735	\$ (893)
Unencumbered cash, end of year	\$ 120,842	\$ 36,011	\$ 4,630	\$ 31,381

The accompanying notes are an integral part of the financial statements.

GRAY COUNTY, KANSAS

NOXIOUS WEED FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2007	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 124,705	\$ 133,761	\$ 129,881	\$ 3,880
Delinquent tax	939	1,444	1,268	176
Motor vehicle tax	12,530	15,682	14,147	1,535
Recreational vehicle tax	223	313	260	53
16/20M tax	388	566	422	144
Total cash receipts	138,785	151,766	\$ 145,978	\$ 5,788
Expenditures:				
Highways and streets	154,304	134,817	\$ 157,000	\$ 22,183
Reimbursed expenditures	(34,644)	(6,493)	-	6,493
Transfer to equipment reserve	-	27,000	-	(27,000)
Total expenditures	119,660	155,324	\$ 157,000	\$ 1,676
Receipts over (under) expenditures	19,125	(3,558)		
Unencumbered cash, beginning of year	15,176	34,301	\$ 11,022	\$ 23,279
Unencumbered cash, end of year	<u>\$ 34,301</u>	<u>\$ 30,743</u>		

The accompanying notes are an integral part of the financial statements.

GRAY COUNTY, KANSAS

COUNTY HEALTH FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2007	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 110,281	\$ 118,597	\$ 115,055	\$ 3,542
Delinquent tax	994	1,403	1,122	281
Motor vehicle tax	13,278	13,947	12,524	1,423
Recreational vehicle tax	237	277	230	47
16/20M tax	401	599	374	225
Other	1,022	923	-	923
Total cash receipts	126,213	135,746	\$ 129,305	\$ 6,441
Expenditures:				
Health and welfare:				
Personal services	115,126	116,975	\$ 131,000	\$ 14,025
Commodities	9,967	65,665	35,970	(29,695)
Contractual services	7,568	8,496	11,000	2,504
Reimbursed expenditures	(138)	(40,000)	(25,000)	15,000
Total expenditures	132,523	151,136	\$ 152,970	\$ 1,834
Receipts over (under) expenditures	(6,310)	(15,390)		
Unencumbered cash, beginning of year	52,050	45,740	\$ 23,665	\$ 22,075
Unencumbered cash, end of year	\$ 45,740	\$ 30,350		

The accompanying notes are an integral part of the financial statements.

GRAY COUNTY, KANSAS

MENTAL HEALTH FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2007	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 38,077	\$ 36,679	\$ 35,560	\$ 1,119
Delinquent tax	345	488	388	100
Motor vehicle tax	4,537	4,814	4,327	487
Recreational vehicle tax	81	96	80	16
16/20M tax	143	205	129	76
Total cash receipts	43,183	42,282	\$ 40,484	\$ 1,798
Expenditures:				
Health and welfare:				
County appropriation	43,128	43,128	\$ 43,128	\$ -
Receipts over (under) expenditures	55	(846)		
Unencumbered cash, beginning of year	2,843	2,898	\$ 2,644	\$ 254
Unencumbered cash, end of year	<u>\$ 2,898</u>	<u>\$ 2,052</u>		

The accompanying notes are an integral part of the financial statements.

GRAY COUNTY, KANSAS

RETARDED CITIZENS FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2007	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 28,494	\$ 27,483	\$ 26,652	\$ 831
Delinquent tax	265	368	290	78
Motor vehicle tax	3,466	3,605	3,235	370
Recreational vehicle tax	62	72	59	13
16/20M tax	108	157	97	60
Total cash receipts	32,395	31,685	<u>\$ 30,333</u>	<u>\$ 1,352</u>
Expenditures:				
Health and welfare:				
County appropriation	32,329	32,329	<u>\$ 32,329</u>	<u>\$ -</u>
Receipts over (under) expenditures	66	(644)		
Unencumbered cash, beginning of year	2,143	2,209	<u>\$ 1,996</u>	<u>\$ 213</u>
Unencumbered cash, end of year	<u>\$ 2,209</u>	<u>\$ 1,565</u>		

The accompanying notes are an integral part of the financial statements.

GRAY COUNTY, KANSAS

CONSERVATION DISTRICT FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2007	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 19,101	\$ 21,807	\$ 21,186	\$ 621
Delinquent tax	177	248	194	54
Motor vehicle tax	2,336	2,417	2,170	247
Recreational vehicle tax	42	48	40	8
16/20M tax	72	105	65	40
Total cash receipts	21,728	24,625	<u>\$ 23,655</u>	<u>\$ 970</u>
Expenditures:				
General government:				
County appropriation	21,720	25,000	<u>\$ 25,000</u>	<u>\$ -</u>
Receipts over (under) expenditures	8	(375)		
Unencumbered cash, beginning of year	1,467	1,475	<u>\$ 1,345</u>	<u>\$ 130</u>
Unencumbered cash, end of year	<u>\$ 1,475</u>	<u>\$ 1,100</u>		

The accompanying notes are an integral part of the financial statements.

GRAY COUNTY, KANSAS

EXTENSION COUNCIL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2007	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 100,959	\$ 98,983	\$ 95,980	\$ 3,003
Delinquent tax	897	1,277	1,028	249
Motor vehicle tax	11,832	12,757	11,466	1,291
Recreational vehicle tax	211	254	211	43
16/20M tax	365	534	342	192
Total cash receipts	114,264	113,805	<u>\$ 109,027</u>	<u>\$ 4,778</u>
Expenditures:				
Transfer to component unit	114,000	116,000	<u>\$ 116,000</u>	<u>\$ -</u>
Receipts over (under) expenditures	264	(2,195)		
Unencumbered cash, beginning of year	7,423	7,687	<u>\$ 6,973</u>	<u>\$ 714</u>
Unencumbered cash, end of year	<u>\$ 7,687</u>	<u>\$ 5,492</u>		

The accompanying notes are an integral part of the financial statements.

GRAY COUNTY, KANSAS

HISTORICAL SOCIETY FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2007	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 7,224	\$ 7,122	\$ 6,910	\$ 212
Delinquent tax	60	88	73	15
Motor vehicle tax	811	911	819	92
Recreational vehicle tax	14	18	15	3
16/20M tax	24	37	24	13
Total cash receipts	8,133	8,176	<u>\$ 7,841</u>	<u>\$ 335</u>
Expenditures:				
Culture and recreation:				
County appropriation	8,095	8,330	<u>\$ 8,330</u>	<u>\$ -</u>
Receipts over (under) expenditures	38	(154)		
Unencumbered cash, beginning of year	509	547	<u>\$ 489</u>	<u>\$ 58</u>
Unencumbered cash, end of year	<u>\$ 547</u>	<u>\$ 393</u>		

The accompanying notes are an integral part of the financial statements.

GRAY COUNTY, KANSAS

FREE FAIR FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2007	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 114,499	\$ 110,302	\$ 106,872	\$ 3,430
Delinquent tax	1,027	1,458	1,165	293
Motor vehicle tax	13,714	14,478	13,002	1,476
Recreational vehicle tax	245	288	239	49
16/20M tax	425	619	388	231
Total cash receipts	129,910	127,145	<u>\$ 121,666</u>	<u>\$ 5,479</u>
Expenditures:				
Transfer to component unit	129,650	129,650	<u>\$ 129,650</u>	<u>\$ -</u>
Receipts over (under) expenditures	260	(2,505)		
Unencumbered cash, beginning of year	8,566	8,826	<u>\$ 7,984</u>	<u>\$ 842</u>
Unencumbered cash, end of year	<u>\$ 8,826</u>	<u>\$ 6,321</u>		

The accompanying notes are an integral part of the financial statements.

GRAY COUNTY, KANSAS

COUNCIL ON AGING FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2007	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 63,002	\$ 64,573	\$ 62,581	\$ 1,992
Delinquent tax	568	804	641	163
Motor vehicle tax	7,574	7,967	7,154	813
Recreational vehicle tax	135	158	131	27
16/20M tax	227	342	214	128
Total cash receipts	71,506	73,844	<u>\$ 70,721</u>	<u>\$ 3,123</u>
Expenditures:				
Health and welfare:				
County appropriation	71,360	75,180	<u>\$ 75,180</u>	<u>\$ -</u>
Receipts over (under) expenditures	146	(1,336)		
Unencumbered cash, beginning of year	4,770	4,916	<u>\$ 4,459</u>	<u>\$ 457</u>
Unencumbered cash, end of year	<u>\$ 4,916</u>	<u>\$ 3,580</u>		

The accompanying notes are an integral part of the financial statements.

GRAY COUNTY, KANSAS

AMBULANCE FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2007	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 171,904	\$ 289,755	\$ 281,272	\$ 8,483
Delinquent tax	1,932	2,498	1,750	748
Motor vehicle tax	30,145	22,040	19,531	2,509
Recreational vehicle tax	539	433	359	74
16/20M tax	761	1,363	583	780
Other	1,830	1,160	-	1,160
Total cash receipts	207,111	317,249	\$ 303,495	\$ 13,754
Expenditures:				
Health and welfare:				
Personal services	117,191	164,383	\$ 135,000	\$ (29,383)
Commodities	42,242	44,030	50,000	5,970
Contractual services	71,698	62,684	50,000	(12,684)
Capital outlay	6,412	9,932	110,000	100,068
Reimbursed expenditures	(17,293)	(55,552)	(20,000)	35,552
Transfer to equipment reserve	-	85,000	-	(85,000)
Total expenditures	220,250	310,477	\$ 325,000	\$ 14,523
Receipts over (under) expenditures	(13,139)	6,772		
Unencumbered cash, beginning of year	70,030	56,891	\$ 21,505	\$ 35,386
Unencumbered cash, end of year	\$ 56,891	\$ 63,663		

The accompanying notes are an integral part of the financial statements.

GRAY COUNTY, KANSAS

APPRAISER'S COST FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2007	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 151,140	\$ 165,444	\$ 160,108	\$ 5,336
Delinquent tax	1,470	2,017	1,538	479
Motor vehicle tax	22,556	19,244	17,158	2,086
Recreational vehicle tax	403	380	315	65
16/20M tax	556	1,020	512	508
Other	559	2,403	-	2,403
Total cash receipts	176,684	190,508	\$ 179,631	\$ 10,877
Expenditures:				
General government:				
Personal services	132,542	139,614	\$ 153,530	\$ 13,916
Commodities	6,601	8,423	14,280	5,857
Contractual services	29,343	41,335	45,356	4,021
Capital outlay	4,592	-	5,000	5,000
Reimbursed expenditures	(24)	(897)	-	897
Transfer to equipment reserve	-	5,000	-	(5,000)
Total expenditures	173,054	193,475	\$ 218,166	\$ 24,691
Receipts over (under) expenditures	3,630	(2,967)		
Unencumbered cash, beginning of year	71,214	74,844	\$ 38,535	\$ 36,309
Unencumbered cash, end of year	<u>\$ 74,844</u>	<u>\$ 71,877</u>		

The accompanying notes are an integral part of the financial statements.

GRAY COUNTY, KANSAS

DIRECT ELECTION EXPENSE FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2007	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 21,808	\$ 22,649	\$ 22,002	\$ 647
Delinquent tax	170	254	222	32
Motor vehicle tax	2,426	2,750	2,473	277
Recreational vehicle tax	43	55	45	10
16/20M tax	52	110	74	36
Other	-	150	-	150
Total cash receipts	24,499	25,968	\$ 24,816	\$ 1,152
Expenditures:				
General government:				
Personal services	10,570	10,129	\$ 12,000	\$ 1,871
Commodities	4,796	5,626	3,000	(2,626)
Contractual services	8,541	17,823	14,000	(3,823)
Capital outlay	-	-	10,000	10,000
Reimbursed expenditures	(2,277)	(943)	-	943
Total expenditures	21,630	32,635	\$ 39,000	\$ 6,365
Receipts over (under) expenditures	2,869	(6,667)		
Unencumbered cash, beginning of year	24,832	27,701	\$ 14,184	\$ 13,517
Unencumbered cash, end of year	\$ 27,701	\$ 21,034		

The accompanying notes are an integral part of the financial statements.

GRAY COUNTY, KANSAS

TORT LIABILITY EXPENSE FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2007	Actual	Budget	
Cash receipts	\$ -	\$ -	\$ -	\$ -
Expenditures:				
General government:				
Contractual services	-	-	\$ 108,492	\$ 108,492
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	108,492	108,492	\$ 108,492	\$ -
Unencumbered cash, end of year	\$ 108,492	\$ 108,492		

The accompanying notes are an integral
part of the financial statements.

GRAY COUNTY, KANSAS

EMPLOYEE BENEFITS FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2007	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 542,292	\$ 871,330	\$ 845,966	\$ 25,364
Delinquent tax	5,835	7,721	5,528	2,193
Motor vehicle tax	62,594	68,608	61,690	6,918
Recreational vehicle tax	1,114	1,365	1,134	231
16/20M tax	2,365	2,818	1,842	976
Total cash receipts	614,200	951,842	<u>\$ 916,160</u>	<u>\$ 35,682</u>
Expenditures:				
General government:				
Personal services	884,381	943,960	<u>\$ 1,133,000</u>	<u>\$ 189,040</u>
Receipts over (under) expenditures	(270,181)	7,882		
Unencumbered cash, beginning of year	506,168	235,987	<u>\$ 216,840</u>	<u>\$ 19,147</u>
Unencumbered cash, end of year	<u>\$ 235,987</u>	<u>\$ 243,869</u>		

The accompanying notes are an integral part of the financial statements.

GRAY COUNTY, KANSAS

RURAL FIRE DISTRICT FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2007	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 69,506	\$ 78,584	\$ 75,906	\$ 2,678
Delinquent tax	414	621	702	(81)
Motor vehicle tax	2,439	5,916	5,451	465
Recreational vehicle tax	46	132	104	28
16/20M tax	192	178	99	79
Gift from FPL Energy	3,923	4,439	3,923	516
Other	727	7,394	-	7,394
Total cash receipts	77,247	97,264	\$ 86,185	\$ 11,079
Expenditures:				
Public safety:				
Personal services	-	-	\$ 5,000	\$ 5,000
Contractual services	302	354	-	(354)
Overhead	59,824	59,328	20,000	(39,328)
Equipment repair	2,021	1,625	25,000	23,375
Capital outlay	3,090	49,900	65,000	15,100
Reimbursed expenditures	(511)	-	-	-
Total expenditures	64,726	111,207	\$ 115,000	\$ 3,793
Receipts over (under) expenditures	12,521	(13,943)		
Unencumbered cash, beginning of year	28,066	40,587	\$ 28,815	\$ 11,772
Unencumbered cash, end of year	\$ 40,587	\$ 26,644		

The accompanying notes are an integral part of the financial statements.

GRAY COUNTY, KANSAS

COUNTY LIBRARY FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2007	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 28,434	\$ 28,756	\$ 27,853	\$ 903
Delinquent tax	187	328	287	41
Motor vehicle tax	2,438	2,575	2,404	171
Recreational vehicle tax	45	54	44	10
16/20M tax	94	181	93	88
Total cash receipts	31,198	31,894	<u>\$ 30,681</u>	<u>\$ 1,213</u>
Expenditures:				
Transfer to component unit	31,000	32,550	<u>\$ 32,550</u>	<u>\$ -</u>
Receipts over (under) expenditures	198	(656)		
Unencumbered cash, beginning of year	2,016	2,214	<u>\$ 1,869</u>	<u>\$ 345</u>
Unencumbered cash, end of year	<u>\$ 2,214</u>	<u>\$ 1,558</u>		

The accompanying notes are an integral part of the financial statements.

GRAY COUNTY, KANSAS

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ALL NON-BUDGETED SPECIAL REVENUE FUNDS**

Year ended December 31, 2008

	<u>Special highway</u>	<u>Register of deeds technology</u>	<u>Special health</u>	<u>Regional bio-terrorism</u>	<u>Ambulance special equipment</u>	<u>PSAP 911E</u>	<u>Capital improve- ments</u>
Cash receipts:							
State and federal aid	\$ -	\$ -	\$ -	\$ 59,352	\$ -	\$ 33,312	\$ -
Licenses, permits and fees	-	-	-	-	-	-	-
Charges for services	-	9,494	43,254	-	-	-	-
Interest	-	-	-	-	-	18	1,516
Other	-	-	57,929	-	449	7,251	-
Operating transfers in	<u>220,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>330,849</u>
Total cash receipts	<u>220,501</u>	<u>9,494</u>	<u>101,183</u>	<u>59,352</u>	<u>449</u>	<u>40,581</u>	<u>332,365</u>
Expenditures:							
Personal services	-	-	13,691	-	-	-	-
Commodities	-	2,814	30,601	-	-	-	-
Contractual services	-	540	60,274	51,661	-	5,852	-
Capital outlay	69,825	1,612	-	-	10,675	-	33,661
Remittance to state	-	-	-	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>69,825</u>	<u>4,966</u>	<u>104,566</u>	<u>51,661</u>	<u>10,675</u>	<u>5,852</u>	<u>33,661</u>
Receipts over (under) expenditures	150,676	4,528	(3,383)	7,691	(10,226)	34,729	298,704
Unencumbered cash (deficit), beginning of year	<u>41,640</u>	<u>7,844</u>	<u>79,972</u>	<u>(2,189)</u>	<u>26,424</u>	<u>(1,344)</u>	<u>84,508</u>
Unencumbered cash, end of year	<u>\$192,316</u>	<u>\$ 12,372</u>	<u>\$ 76,589</u>	<u>\$ 5,502</u>	<u>\$ 16,198</u>	<u>\$ 33,385</u>	<u>\$383,212</u>

The accompanying notes are an integral
part of the financial statements.

Equipment reserve	CDBG Grant #1	P.A.T.F.	Special law enforcement trust	Special vehicle	Postage	Veterans memorial	Alcohol programs	Parks and recreation	Drug task force	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 459	\$ 459	\$ -	\$ 93,582
-	-	901	-	-	-	-	-	-	-	901
-	-	-	-	58,384	14,686	-	-	-	-	125,818
-	2,682	-	5	-	-	-	-	-	-	4,221
-	12,252	-	-	-	-	6,040	-	-	-	83,921
<u>215,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>766,690</u>
<u>215,340</u>	<u>14,934</u>	<u>901</u>	<u>5</u>	<u>58,384</u>	<u>14,686</u>	<u>6,040</u>	<u>459</u>	<u>459</u>	<u>-</u>	<u>1,075,133</u>
-	-	-	-	25,921	-	-	-	-	-	39,612
-	-	-	-	675	-	923	-	-	-	35,013
-	-	-	-	674	13,424	-	-	187	-	132,612
181,960	-	-	-	-	-	-	-	-	-	297,733
-	16,179	442	-	-	-	-	-	-	-	16,621
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,738</u>	<u>-</u>	<u>27,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,213</u>
<u>181,960</u>	<u>16,179</u>	<u>442</u>	<u>-</u>	<u>56,008</u>	<u>13,424</u>	<u>28,398</u>	<u>-</u>	<u>187</u>	<u>-</u>	<u>577,804</u>
33,380	(1,245)	459	5	2,376	1,262	(22,358)	459	272	-	497,329
<u>-</u>	<u>1,245</u>	<u>10,702</u>	<u>3,642</u>	<u>28,738</u>	<u>2,500</u>	<u>24,150</u>	<u>63</u>	<u>63</u>	<u>894</u>	<u>308,852</u>
<u>\$ 33,380</u>	<u>\$ -</u>	<u>\$ 11,161</u>	<u>\$ 3,647</u>	<u>\$ 31,114</u>	<u>\$ 3,762</u>	<u>\$ 1,792</u>	<u>\$ 522</u>	<u>\$ 335</u>	<u>\$ 894</u>	<u>\$ 806,181</u>

GRAY COUNTY, KANSAS

SUMMARY OF CASH RECEIPTS AND CASH DISBURSEMENTS - ALL AGENCY FUNDS

Year ended December 31, 2008

Fund	Beginning cash balance	Cash receipts	Cash disbursements	Ending cash balance
County clerk	\$ 237	\$ 6,119	\$ 6,025	\$ 331
Register of deeds	5,339	161,772	160,806	6,305
District court	36,000	279,023	289,453	25,570
Sheriff	-	193,978	193,756	222
County treasurer	5,790,807	10,374,468	10,085,312	6,079,963
Local taxing districts	76,751	4,783,783	4,770,491	90,043
Mortgage registration fees	5,687	129,936	128,088	7,535
Drivers record fees	42	399	413	28
Motor vehicle fees and sales tax collection	21,707	742,021	747,015	16,713
Candidate registration fees	-	315	315	-
Wind farm donation	-	350,720	350,720	-
Payroll clearing funds	144,507	1,933,408	2,033,326	44,589
Juvenile justice	73,573	815,251	633,751	255,073
Law library	-	6,813	1,835	4,978
Total	\$ 6,154,650	\$ 19,778,006	\$ 19,401,306	\$ 6,531,350

The accompanying notes are an integral
part of the financial statements.

GRAY COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies applied in the preparation of the accompanying financial statements is presented to assist in understanding the County's financial statements, which are presented in conformity with the cash basis and budget laws of the State of Kansas. The financial statements and notes are representations of the County's management, which is responsible for their integrity and objectivity. The amounts shown for 2007 in the accompanying financial statements are included, where practicable, only to provide a basis for comparison with 2008, and are not intended to present all information necessary for a fair presentation in accordance with the basis of accounting as described below.

1. Financial reporting entity

Gray County, Kansas, is a municipal corporation governed by an elected three-member commission. The scope of the entity for financial reporting purposes is defined as those funds for which the governing body of the County has financial accountability. Financial accountability includes budgetary authority and fiscal management responsibility. Budgetary authority is defined as authority for final approval of budgetary appropriations and revisions. Fiscal management responsibility is control of the collection and disbursement of funds. These financial statements include all funds included in the County's legally adopted budget and fiduciary funds controlled or administered by County employees in their capacity as County employees. These financial statements present Gray County, Kansas, (the primary government) and do not include the following component units:

Component units

Gray County Free Fair Association: The Association operates under a board appointed by the Gray County Commissioners. This board is accountable to the County Commissioners for fiscal matters.

Gray County Library District: The members of the governing board of the Library District are appointed by the County Commissioners. The Library District is fiscally dependent on the County and the budget is approved by the County Commissioners. In addition, the Library District is prohibited from issuing bonded debt without the approval of the County Commission.

Gray County Extension Council: Gray County Extension Council provides services in such areas as agriculture, home economics, and 4-H clubs, to all persons in the County. The County annually provides significant operating subsidies to the Council.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Financial reporting entity (continued)

Complete financial statements of the individual component units can be obtained directly from their administrative offices.

Administrative Offices:

Gray County Free Fair Association
Cimarron, KS 67835

Gray County Library District
Cimarron, KS 67835

Gray County Extension Council
Gray County Fair Facilities
Cimarron, KS 67835

2. Fund accounting

The accounts of the County are organized on the basis of funds. In governmental accounting a fund is designated as a sum of money or other resources segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations and constituting an independent fiscal and accounting entity.

County resources are allocated to and for individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The following funds comprise the financial activities of the County for the year of 2008:

GOVERNMENTAL FUNDS

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

General Fund

This fund is established to account for resources devoted to financing the general services that the County performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the County are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue Funds

These funds are established to account for the proceeds of specific revenue sources other than special assessments, trust funds or major capital projects that are legally restricted to expenditures for specified purposes.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Fund accounting (continued)

FIDUCIARY FUNDS

Agency Funds

These funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds.

3. 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 is charged in the fund from which the transfer is made.

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

4. 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, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. A statement of net assets 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 is 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 municipality 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 is not presented in the financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. 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:

- 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 public hearing on the budget.
- c. Public hearing on or before August 15th, but at least ten days after publication of notice of public 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 ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such 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 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 fiduciary funds and the following special revenue funds:

Special Highway	Prosecuting Attorney Training
Register of Deeds Technology	Special Law Enforcement Trust
Special Health	Special Vehicle
Regional Bio-Terrorism	Postage
Ambulance Special Equipment	Veterans Memorial
PSAP 911E	Alcohol Programs
Capital Improvements	Parks and Recreation
Equipment Reserve	Drug Task Force
CDBG Grant #1	

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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Cash and investments

To facilitate better management of the County's cash resources, excess cash is combined in pooled operating accounts. Each fund's portion of total cash is based on its equity in the pooled cash account. Cash in excess of current operating needs is invested on a pooled investment basis and earnings thereon are distributed to the General Fund and other appropriate funds. Investments consist of time deposits and certificates of deposit and they are reported at fair value which is the same as cost.

7. Pension plans

Substantially all full-time employees of the County are members of the State of Kansas Public Employees' Retirement System (KPERs) or the Kansas Police and Firemen's Retirement System (KP&F), both of which are cost-sharing multiple-employer state-wide pension plans. The County's policy is to fund all pension costs accrued; such costs to be funded are determined annually by the system's actuary.

8. Compensated absences

The County's policies regarding vacations permit employees to accumulate a maximum of eighteen calendar days of vacation. Upon termination or resignation from service with the County, employees are entitled to payment for all accumulated vacation earned prior to termination or resignation up to a maximum of eighteen days. All employees on permanent status earn sick leave at the rate of one calendar day per month with a maximum accumulation of one hundred thirty calendar days of sick leave. No allowance for unused sick leave is paid upon termination or resignation. The County has a sick leave bank whereby employees can transfer excess sick leave to a bank to be used by employees who are on extended sick leave and have exhausted their own sick leave accumulation. The sick leave bank is administered by the County Commissioners.

9. Section 125 plan

The County offers a section 125 flexible benefit plan to employees electing to participate. It is used for insurance premiums, other medical costs and child care costs. The plan is administered by an independent insurance company.

10. Deferred compensation plan

The County offers employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. 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 federal government for this coverage. The premium is paid in full by the insured. There is no cost to the County under this program.

12. 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; natural disasters; and medical needs of employees. The County participates in public entity risk pools to cover property, liability and worker's compensation claims. The County purchases commercial insurance to cover the medical needs of employees. There have been no significant reductions in coverage from the prior year. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

B. DEPOSITS AND INVESTMENTS

Policies. The County has no formal deposit and investment policies; however it does follow state statutes. 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 to have a main or branch bank in the County, or in an adjoining county if such institution has been designated as an official depository, and the banks to provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the County's deposits in financial institutions to be entirely covered by federal depository insurance, by a corporate surety bond, 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.

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. State statutes place no limit on the amount the County may invest in any one issuer.

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. At year-end the carrying amount of the County's deposits, including certificates of deposit, was \$9,430,102. The bank balance was \$9,745,592. Of the bank balance, \$563,073 was covered by FDIC insurance, and \$9,182,519 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the County's name.

C. LONG-TERM DEBT

Changes in long-term liabilities for the entity for the year ended December 31, 2008, were as follows:

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions/ net change</u>	<u>Reductions</u>	<u>Balance end of year</u>	<u>Interest paid</u>
Capital leases:					
Bomag recycler and vibratory roller Issued August 18, 2005 In the amount of \$321,205 At interest rate of 4.35% Maturing August 18, 2009	\$ 131,039	\$ -	\$ 64,125	\$ 66,914	\$ 5,700
Caterpillar 140H motor grader Issued December 15, 2005 In the amount of \$131,105 At interest rate of 5.00% Maturing December 15, 2009	53,822	-	26,255	27,567	2,585
Etnyre chip spreader Issued May 31, 2006 In the amount of \$115,500 At interest rate of 4.95% Maturing May 31, 2010	69,192	-	21,959	47,233	3,425
Sand plant Issued February 29, 2008 In the amount of \$161,839 At interest rate of 4.19% Maturing March 1, 2012	-	161,839	35,078	126,761	-
Compensated absences:					
Vacation and sick leave	<u>206,178</u>	<u>20,491</u>	<u>-</u>	<u>226,669</u>	<u>-</u>
Total long-term debt	<u>\$ 460,231</u>	<u>\$ 182,330</u>	<u>\$ 147,417</u>	<u>\$ 495,144</u>	<u>\$ 11,710</u>

Current maturities of capital leases and interest for the next four years are as follows:

	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2009	\$ 147,294	\$ 11,833	\$ 159,127
2010	55,201	5,261	60,462
2011	32,313	2,765	35,078
2012	<u>33,667</u>	<u>1,411</u>	<u>35,078</u>
Total	<u>\$ 268,475</u>	<u>\$ 21,270</u>	<u>\$ 289,745</u>

D. OPERATING LEASES

The County has entered into an operating lease agreement for the use of a front end loader for the Road and Bridge Department. The agreement expires in 2009. Operating lease payments made during the current year totaled \$36,227.

The following is a yearly schedule of future minimum rental payments under the operating lease agreement:

2009	<u>\$ 36,227</u>
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E. INTERFUND TRANSFERS

A summary of interfund transfers by type is as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Statutory authority</u>
Operating transfers:			
General fund	Equipment Reserve	\$ 98,340	K.S.A. 19-119
General fund	Capital Improvements	303,374	K.S.A. 19-120
Noxious Weed	Equipment Reserve	27,000	K.S.A. 19-119
Ambulance	Equipment Reserve	85,000	K.S.A. 19-119
Appraiser	Equipment Reserve	5,000	K.S.A. 19-119
Special Vehicle	General	28,738	K.S.A. 8-145
Road and Bridge fund	Special Highway fund	220,501	K.S.A. 68-590
Veterans Memorial	Capital Improvements	<u>27,475</u>	K.S.A. 19-120
		<u>\$ 795,428</u>	
Transfers to component units:			
Extension Council Fund	Extension Council	\$ 116,000	K.S.A. 2-610
Free Fair Fund	Free Fair Association	129,650	K.S.A. 2-129
County Library Fund	Library District	<u>32,550</u>	K.S.A. 12-1220
		<u>\$ 278,200</u>	

F. DEFINED BENEFIT PENSION PLAN

Plan description. Gray County contributes to the Kansas Public Employees Retirement System (KPERs) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of cost-sharing multiple-employer defined benefit pension plans as provided by K.S.A. 74-4901, et seq. KPERs and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs and KP&F issue a publicly available financial report that includes financial statements and required supplementary information. Those reports 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. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7% 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 and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates. The KPERs employer rates established for the periods January through December, 2008 is 5.93%. The County employer contributions to KPERs for the years ending December 31, 2008, 2007 and 2006 were \$113,812, \$96,702 and \$85,612, respectively, equal to the required contributions for each year. The KP&F employer rate established for fiscal years beginning in 2008 is 13.88%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The County contributions to KP&F for the years December 31, 2008, 2007, and 2006 were \$63,264, \$52,813, and \$33,979, respectively, equal to the required contributions for each year.

G. COMMITMENTS

The County entered into construction commitments for improvements to the courthouse steps and sidewalk. The total amount approved for the project was \$49,223 and the amount expended in 2008 was \$18,397 leaving a remaining commitment at year end of \$30,826.

In October of 2008, the County passed a resolution for an overlay of four miles of blacktop north of Ingalls. The County's portion of the cost is estimated to be approximately \$250,000. No payments were made in 2008.

H. PUBLIC ENTITY RISK POOLS

The County is a member of the Kansas Workers Risk Cooperative for Counties (KWORCC), a group funded pool for workers compensation coverage which was formed through the Kansas Municipal Group-Funded Pool Act, K.S.A. 12-2616, et seq. This is a public entity risk pool which operates as a common risk management and insurance program for member counties. The County pays an annual contribution to the Cooperative as determined by the seven-member Board of Trustees based upon experience modification factors, payroll audits and any other bases the Board considers appropriate. It is not possible to estimate the maximum contributions which could be required. KWORCC covers claims up to \$600,000 each and aggregate excess reinsurance provides aggregate coverage up to \$1,000,000. Except for required contributions, no member can be held responsible for any claims made against any other member.

The County is a member of the Kansas County Association Multi-Line Pool (KCAMP), a group funded pool for property, liability, crime and surety coverage which was formed through the Kansas Municipal Group-Funded Pool Act, K.S.A. 12-2616, et seq. This is a public entity risk pool which operates as a common risk management and insurance program for member counties. The County pays an annual contribution to the Pool as determined by the nine-member Board of Trustees. It is not possible to estimate the maximum contributions which could be required. KCAMP covers claims up to \$250,000 for property, \$250,000 for liability and \$150,000 for crime. Excess reinsurance provides aggregate coverage up to \$200,000,000 for property and \$1,000,000 for liability. Except for required contributions, no member can be held responsible for any claims made against any other member.

I. CONTINGENCIES

The County receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of County management, such disallowances, if any, would be insignificant.