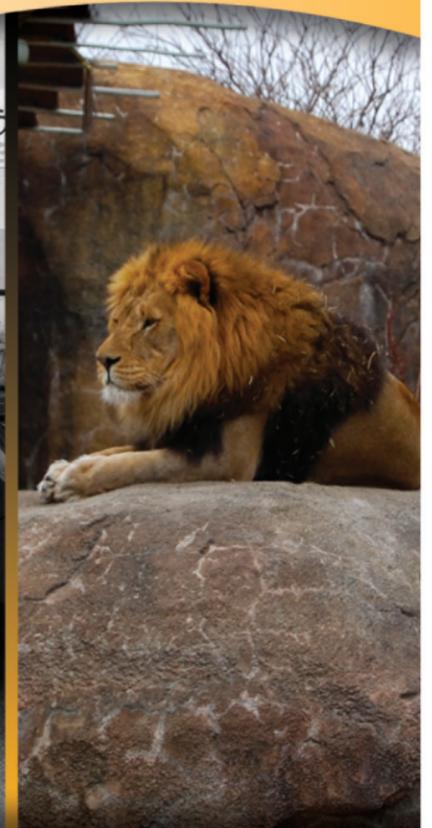




*Sedgwick County...
working for you*



Budget Process



2016 Adopted Budget

Budget Cycle

Annual budget preparation is delegated by the Board of County Commissioners to the Sedgwick County Manager. The County Budget Department, which is a part of the Division of Finance, works closely with the Manager in preparing a budget according to the following timetable:

Budget Calendar											
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Financial Forecast Development Budget staff compared historical revenues with projections. Financial Forecast revised based on 2014 actual data.		[]									
Technology Review Committee (TRC) TRC evaluated and ranked Division technology plans based on criteria that focus on technical merit and how the plan relates to the mission of the department and the County.		[]									
Capital Improvement Program Committee The CIP committee reviewed all of the requests for projects with significant multi-year benefits (such as buildings and roads), and ranked projects in order of importance in two categories: facilities/drainage and roads/intersections/bridges.								[]			
Environmental Scans Departments submitted a list of factors external to the department that could impact the funding they need to provide current levels of service throughout 2015 and 2016, such as growth in service volume or contractual changes.		[]									
Planning Retreat The Board of County Commissioners, County Manager, Division Directors and other staff meet in mid-February to outline the Commissioner's financial and policy goals for the organization.				[]							
Base Budget Development for Tax and Non-Tax Supported Funds Departments received and developed budget requests to meet budget targets in property tax supported funds and developed balanced budgets for non-property tax supported funds.								[]			
Prioritized Departmental Inventories for Tax Supported Funds Departments inventoried all programs and services using a Prioritization Inventory Tool. Departments used the inventories to determine which programs and services they would "Buy First" (Highest Priority-90 percent) and "Buy Last" (10 percent) with an emphasis on programs and services in tax supported funds. The tools were submitted to and reviewed by the Budget Office. After the Budget Office's review, the "Buy Last" items were then reviewed by the Budget Team.									[]		
Budget Department Review Budget staff reviewed departmental inventories and prepared materials for budget hearings.		[]									
Budget Hearings Division directors and elected and appointed officials discussed programs and services provided by their departments in public meetings before the County Manager, Budget staff, and the Board of County Commissioners.								[]			
Recommended Budget Senior Management utilized the Prioritization Inventory Tools and information gathered in budget hearings to make recommendations for the budget, along with significant input from Commissioners.									[]		
Public Hearing and Budget Adoption Members of the public are invited to comment on the budget at regular meetings of the Board of County Commissioners. Legal notice of the last public hearing is published at least 10 days prior to the hearing stating the maximum budgeted expenditure and property tax levy.										[]	
Adopted Budget Preparation Information in the adopted budget document is updated.											[]

2016 Annual Operating Budget Development Calendar

<u>2015</u>	<u>Action</u>
February 18	County Commission Planning Retreat
February 27	2016 Budget Development Process presented to Departments
March 30	Department Base Budget Request, Decision Packages, Revenue Packages and Personnel Changes Due to Budget Office
April 13	Prioritization Inventory Tool and Alternative Reduction Proposals Due to Budget Office
April 27—May 1	Divisional Budget Submissions and Prioritization Review with Budget Team and County Manager
May 14—May 21	County Commission Budget Hearings
June 10	Solid Waste Fee Adopted
July 20	Recommended Budget Presented to County Commissioners
July 22	Last “Up” Day for Changes to Recommended Budget
July 29	First Public Hearing
August 6	Second Public Hearing
August 12	Budget Adoption
August 25	Budget Certified to County Clerk

Financial Requirements Policies and Goals

Sedgwick County recognizes the foundation for strong fiscal management rests in the adherence to sound financial policies and goals. Comprehensive financial policies and goals are essential tools used to publicly disclose current and future financial management plans and broad-based policy initiatives, in addition to ensuring fiscal accountability. The following policies, goals, and guidelines on how to finance essential community services laid the foundation for the development of the 2016 budget.

In accordance with State of Kansas law, the County submits the annual budget to the State for certification of all operating funds. If increased expenditure authority is needed for any fund subject to the State Budget Law, the County Commissioners must formally approve a revised budget and re-certify those funds to the State, following the re-certification process prescribed in State law.

Statutes of the State of Kansas govern the operating budget process. Budget law states counties must:

- prepare an annual budget;
- account for prior, current and ensuing years;
- maintain a fund balance within prescribed limits;
- hold formal hearings with appropriate publication and notice;
- complete the budget process and submit the adopted budget to the County Clerk by August 25; and
- not exceed adopted expenditure authority without approval from County Commissioners through a formal amendment process.

Basis of Accounting

When households pay their monthly bills, they are faced with a timing problem; specifically, when to consider the money for the bills spent, when the checks are written, when the bill payments are mailed, when the companies can be expected to actually *receive* the checks, or when the bank statement arrives at the end of the month showing the checks have actually been cashed. Obviously, the earlier monies are considered spent, the less likelihood there is to overspend the balance in the account. Similarly, it is important for governments to spend only the money they have on hand. For governments, then, the answer to this timing question for earnings (revenues) as well as expenditures is provided by the “basis of accounting.”

Kansas legally requires a modified accrual basis of accounting in which revenues are not recognized until received. Encumbrances (purchase orders, contracts, and other commitments of funds) are reported as a charge to the current budget. At the end of the fiscal year, December 31, unencumbered appropriations (monies budgeted but not yet committed to be spent) lapse except for capital project funds and some grant funds. Capital project funds are carried forward until the project has reached completion. Due to the modified accrual basis of accounting, the actual data presented in the budget document differs from Sedgwick County's annual financial statements, which are prepared according to Generally Accepted Accounting Principles (GAAP).

Budgetary Controls

In a household, a budget is a plan that can be easily modified. If one member of the household gets a bonus, for example, the family can spend more money than it had originally budgeted. Business budgeting operates in much the same way: if sales are up, the business can spend more than budgeted to buy new inventory. This is one of the major ways in which governmental budgeting differs from other budgets. Budgets for local governments are a plan for spending, but they also have the force of law. In Sedgwick County, no department can spend more than is budgeted for the department. If more is needed, a budget adjustment or amendment must be approved.

Kansas statutes require annual budgets to be legally adopted for all fund types unless exempted by a specific statute. Financial commitments cannot exceed the total amount of the adopted budget. Sedgwick County policy further restricts budgetary spending by requiring the breakdown of individual departments and funds into specific expenditure categories such as Personnel and Contractual Services. Allocations for funds and departments cannot exceed the approved and budgeted amount in any of the expenditure categories. The only method to increase funding after the budget is approved is through a transfer from one class or program to another.

K.S.A. 79-2929(a) permits adopted budgets to be increased for previously unbudgeted increases through revenue other than ad valorem taxes. To amend a budget by increasing the expenditure authority of a specific fund, the County must publish a Notice of Hearing to allow members of the public to provide comments, followed by a ten-day waiting period. After the public hearing, the County may formally amend the budget. If

the amendment is approved, copies of the adjusted budget are filed with the County Clerk, who in turn files copies with the State of Kansas.

Balanced Budget

State law requires all local governments to operate with a balanced budget for funds that levy a tax. A balanced budget is defined as a budget in which projected revenues and available unencumbered cash are equal to expenditures. Sedgwick County's 2016 adopted budget is a balanced budget for all County funds, including those that do not levy a tax.

Long Range Financial Forecasting

Annually, the County develops a long-range financial forecast for a period of five years that is updated throughout the year. The financial forecast assists in evaluating current and future fiscal conditions to guide current and future policy and programmatic decisions.

Fund Balance

Fund balance is the amount of unencumbered cash that ensures services could be provided for a short time even if commitments exceeded revenues. The minimum fund balance requirement is equal to 20 percent of the budgeted expenditures in the General Fund.

Cash Management

Effective cash management is recognized as essential to good fiscal management. The County pursues an aggressive cash management and investment policy to enhance investment interest as a viable and material revenue source for all operating and capital funds. The County's portfolio is designed and managed in a manner responsive to the public trust and consistent with State and local law. Investments are made with the primary objectives of:

- Security of County funds and investments
- Preservation of capital and protection of principle
- Maintenance of sufficient liquidity to meet operating needs
- Diversification of investments to avoid unreasonable or avoidable risks
- Maximization of return on the portfolio

Eligible investments include obligations of the United States Government, repurchase agreements between the

County and commercial banks, interest-bearing time deposit instruments, temporary or no-fund warrants, and the Kansas Municipal Investment Pool.

Capital Planning

In 1999, the CIP process was refined to ensure realistic project planning. Consistent with prior years, the CIP is reviewed as planning before the previous cycle ends. Facility Project Services assists departments in developing new or updating current projects, obtaining accurate estimates, determining potential impact on the operating budget, and submitting project requests for the next five years. These requests are forwarded to their respective division directors to prioritize. Those prioritized requests are then forwarded to the CIP Committee. The Committee prioritizes the recommendations based on the most important needs of the County and presents its recommendations to the Board of County Commissioners.

Debt Financing

The debt financing policy sets forth comprehensive guidelines for the financing of capital expenditures. The County will use debt financing only for one-time capital improvement projects and unusual equipment purchases. It is the objective of the policy to:

- Obtain financing only when necessary
- Identify the timing and amount of debt or other financing as efficiently as possible
- Obtain the most favorable interest rate and other related costs
- Maintain future financial flexibility when appropriate

The Debt Management Committee is responsible for formulating all debt financing recommendations. As a benchmark, the County strives to repay at least 30 percent of the principal amount of its bonded debt within five years and at least 60 percent within 10 years. The County will not engage in debt financing unless the proposed obligation, when combined with all existing debts, will result in debt ratios throughout the life of the proposed obligation that are no less than the three of the five following benchmarks:

- Per capita direct debt will not exceed \$500;
- Per capita direct, overlapping and underlying debt will not exceed \$3,000;
- Direct debt as a percentage of estimated full market value will not exceed 1.5 percent;

- Direct, overlapping and underlying debt as a percentage of estimated full market value will not exceed 6.0 percent; and
- Annual debt service will not exceed 20 percent of budgeted expenditures.

Capital Assets

The financial records of the County accurately reflect the ownership of capitalized capital assets in accordance with generally accepted accounting principles as adopted by the Governmental Accounting Standards Board (GASB). Capital assets to be capitalized in the financial records of the county include buildings, improvements, land, roads and bridges, sidewalks, sanitary sewer lines, storm drainage, traffic control systems, and other infrastructure with an original cost greater than \$50,000. In addition, machinery and other capital assets not specifically listed with an original cost greater than \$10,000 will also be capitalized.

Purchasing

On February 27, 2012, Sedgwick County Charter Resolution 65 was adopted to ensure purchases are conducted in a manner that provides efficiency, equality, fairness, and accountability. Purchases in an amount exceeding \$25,000 are offered to responsible vendors by competitive sealed bid and will be approved by the Board of County Commissioners if the bid exceeds \$50,000. The Board of Bids and Contracts approves purchases in an amount exceeding \$50,000. The Board is composed of five diversified members within the County. Purchases less than \$25,000 are offered to responsible vendors by informal bid and can be approved by the Director of Purchasing. Competitive bids for the procurement of contracts for professional services are unnecessary. In addition, requirements that bids be offered to multiple vendors may be waived if there is an emergency, public exigency, the good or service is from a sole source vendor, is a joint government purchase, is for undercover vehicles for the Sheriff's Office, is for major equipment repair, annual hardware and software maintenance and support agreements, insurance, professional services or are for legal professional services.

Purchasing Cards

The purchasing card is a means to expedite the purchase for eligible goods and services that cost less than \$10,000, but only is to be used for non-recurring purchases that are not covered by an existing County

contract. The Director of Accounting is responsible for the implementation and oversight of the program. In addition, a program administrator is designated in each appropriate department to review and approve cardholder documentation and reconciliation.

Property Tax

What is a "mill levy?"

A mill is \$1 of tax for every \$1,000 of assessed value on real and personal property. The mill levy is recalculated every year and is based on the amount of property tax dollars needed to finance the County budget.

After the budget is adopted, the County is required by the State to file the proper budget forms with the County Clerk. These forms demonstrate compliance with budget development and tax limitation legislation. Summaries of budgeted expenditures are also submitted to the Clerk.

The County Clerk calculates the annual mill levy rate by dividing the total revenue to be obtained from ad valorem taxes for each fund by the total assessed value (see next section for explanation) located in a specific jurisdiction. The result is then multiplied by one-thousand to convert the rate to mills. These individual fund levies are then added to determine the total mill levy rate for a jurisdiction.

The County Treasurer mails tax statements to property owners. One-half of the total tax bills are due in December and the balance is due in May of the next year.

The table on the next page outlines the amount of taxes levied, the final assessed valuation, and the final mill levy included within the 2016 adopted budget.

Kansas County Mill Levy Rankings

Sedgwick County levied less than 103 of the 105 Kansas counties for the 2016 budget year. Selected comparisons for the 2015 tax year are shown in the following table.

2015 Tax Rates (2016 Budget Year) expressed in Mills for Selected Kansas Counties
(County seats in parentheses)

Metropolitan Counties	
Shawnee (Topeka)*	48.191
Douglas (Lawrence)	41.098
Sedgwick (Wichita)	29.383
Johnson (Olathe)	19.582
Neighboring Counties	
Sedgwick (Wichita)	29.383
Harvey (Newton)	38.817
Butler (El Dorado)	35.012
Reno (Hutchinson)	40.897
Sumner (Wellington)	45.735
Kingman (Kingman)	62.041
Highest and Lowest County Tax Rates	
Smith (Smith Center)	131.503
Johnson (Olathe)	19.582

Sources: County Clerks' Offices
* 2014 Tax Rate (2015 Budget Year)

What is an assessed value?

The assessed (or "taxable") value of property is a percentage of the property's appraised fair market value. The County Appraiser's Office determines the fair market value of property and sets the appraised value. The appraised value is then multiplied by an assessment rate that is based on the function of the property. The following calculation is used to establish the assessed value:

Real Estate:

Residential:	Multi-family, urban or rural	11.5%
Agricultural:	Valued based on use or production	30.0%
Vacant lots:		12.0%
Commercial:	For industrial purposes, and buildings and improvements to agricultural land	25.0%
Commercial:	Public utility real property, except railroad	33.0%

2016 Adopted Budget Property Taxes				
Fund Description		Taxes Levied	Final Assed. Value	Final Mill Levy
110	General Fund	98,118,996	4,410,040,706	22.249
201	WSU	6,615,061	4,410,040,706	1.500
202	COMCARE	2,579,874	4,410,040,706	0.585
203	EMS	2,659,255	4,410,040,706	0.603
205	Aging	2,469,623	4,410,040,706	0.560
206	Highways	4,978,936	4,410,040,706	1.129
207	Noxious Weeds	388,084	4,410,040,706	0.088
301	Bond and Interest	11,770,399	4,410,040,706	2.669
Total Countywide Mill Levy				29.383
240	Fire District 1	15,246,253	829,908,737	18.371

Taxes are levied in the previous year to finance the current budgets. For example, 2015 taxes are used to finance the 2016 budget. The following chart illustrates mill levy rates for Sedgwick County and Sedgwick County Fire District 1 for budget years 1998-2016.

1998 – 2016 Mill Levies

Sedgwick County and Fire District

Budget Year	County	Fire District
1998	30.196	14.011
1999	29.638	14.951
2000	28.671	15.631
2001	28.600	15.426
2002	28.654	15.373
2003	28.776	15.407
2004	28.817	16.695
2005	28.763	18.579
2006	28.758	18.556
2007	31.315	18.469
2008	31.333	18.482
2009	30.377	18.501
2010	29.868	18.447
2011	29.359	18.336
2012	29.428	18.397
2013	29.446	18.398
2014	29.377	18.348
2015	29.478	18.367
2016	29.383	18.371

Personal Property:

Residential: Mobile Homes	11.5%
Mineral leases: Oil production over 5 barrels/day and natural gas production under 100 mcf/day	25.0%
Public Utility: Inventory, except railroad	33.0%
Commercial and Industrial machinery, less depreciation	25.0%
Farm machinery, merchant/manufacturer inventories, livestock	Exempt

fund. Examples include COMCARE, WSU Program Development, Emergency Medical Services, and Federal/State Assistance Funds.

- Debt Service Fund - Accounts for the payment of interest and principal on long-term debt.

Proprietary Funds - Self-supporting accounts where Sedgwick County operates like a business.

- Enterprise Fund - Accounts for external operations that provide services to the community at-large, such as the INTRUST Bank Arena Fund.
- Internal Service Fund - Accounts for internal governmental operations that provide services to other departments, such as Fleet Management.

What is a “fund”?

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. The Sedgwick County budget uses funds to account for expenditures and revenues. Funds are comparable to individual bank accounts. The following fund types are used in the 2016 budget:

Governmental Funds - Account for revenue and expenditures relating to normal governmental activities, which are not accounted for in other funds.

- General Fund - Accounts for all financial resources of the general government, except those required to be accounted for in another fund. This is the County’s primary operating fund. Forty-one departments are listed in the budget, including judicial and law enforcement functions.
- Special Revenue Funds - Accounts for revenue sources that are legally restricted to expenditure for a specific purpose or required by state law to be a separate

Special District Funds - The Board of County Commissioners is the governing body for one special taxing district, Sedgwick County Fire District 1. Tax levies needed in this district are approved in the annual budget and apply only to a specifically defined service area.

Other Funds - Other County funds exist but are not subject to Kansas budget laws, such as reserve funds for equipment replacement and capital improvements.

The fund structure can be found on the following page.

