



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 Plan Development Budget staff compared revenues with projections. Financial plan revised based on 2009 actual data. | | □ | | | | | | | | | |
| Technology Review Committee 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. | | | □ | | | | | | | | |
| Revenue Estimates Departments submitted projections for non-tax revenues to be received in 2011, along with a list of factors external to the department that could impact the funding they need to provide current levels of service throughout 2011, such as increases in rental. | | □ | | | | | | | | | |
| Base Budget Budget staff set base budgets within which departments are expected to fund their operating needs. | | | | | | | □ | | | | |
| Departmental Budget Requests & Strategic Plans Departments allocated base budget amounts to desired spending lines and submitted revised strategic plans. Requests for service enhancements were made in the form of Supplemental Requests. | | | | | | | | □ | | | |
| Budget Department Review Budget staff reviewed departmental requests and prepared materials for budget hearings. | | | | | | | | | □ | | |
| Budget Hearings Division Directors discussed the level of services they could provide within the base budget in public meetings before the County Manager, budget staff, and the Board of County Commissioners. | | | | | | | | | □ | | |
| Manager's Recommended Budget The County Manager reviewed the budget in light of information gathered in budget hearings and made recommendations within resource limitations. The Manager's recommended budget and Capital Improvement Program were submitted July 14. | | | | | | | | | | | □ |
| 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 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. | | | | | | | | | | | □ |



2012 Annual Operating Budget Calendar

| <u>Fiscal 2011</u> | <u>Action</u> |
|--------------------|--|
| March 10 | Base Budget delivered to Departments |
| April 11 | Base Budgets & Strategic Plans due to Budget Department |
| April 25 | Proposed Budget delivered to County Manager |
| May 12-23 | County Manager reviews budgets with County Commissioners |
| June 27 | Drop Dead Day for changes to Recommended Budget |
| July 13 | Recommended Budget presented to County Commissioners by County Manager |
| July 20 | First Public Hearing |
| August 2 | Second Public Hearing |
| August 3 | 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 2012 budget.

In accordance with state 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 25th
- not exceed adopted expenditure authority without approval from County Commissioners through a formal amendment process

Basis of Accounting and Budgeting

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.”

For local budgeting purposes, Kansas legally requires a modified cash 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. Data presented in the budget document differs from Sedgwick County’s annual financial statements. The County’s fund statements are prepared according to Generally Accepted Accounting Principles (GAAP) using the modified accrual basis of accounting and the entity-wide statements use the full accrual basis of accounting. The difference between budgetary results and financial results from accounting is entirely based on timing. Accounting records revenue when the amount is known and receipt is expected, while budget records revenue upon actual receipt. Budget records expenditures when legal commitments are made to purchase an item and accounting records the expenditure when the good or service is rendered.

Budgetary Controls

In a family, 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 head can spend more than is budgeted for his or her department. If more is needed, a budget adjustment or amendment must be approved.

Kansas’s 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 break down 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.

The County's quarterly allocation process acts as an additional control on spending by (1) governing the flow of expenditures, (2) providing a mechanism for adjusting allowed expenditures to match changes in revenue collections, and (3) mandating a formal quarterly review of budget status. Requested increases in quarterly allocations are subject to approval by the Budget Director.

Kansas Statutes Annotated 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 2012 budget is a balanced budget for all County funds, including those that do not levy a tax.

Long Range Financial Planning

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

Fund Balance (Res. 124-2006)

Fund balance is the cumulative difference between the assets and liabilities. The minimum unrestricted fund balance requirement is 20 percent of budgeted expenditures in the General Fund. In the past County policy required a fund balance of seven percent for all other funds. However, with changes to the Governmental Accounting Standards Board (GASB)

Statement No. 54, a revised policy has been adopted eliminating the seven percent fund balance requirement.

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 (Res. 19-1991)

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 ten 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
- Annual debt service will not exceed 20 percent of budgeted expenditures

Capital Assets (Res. 194-1978)

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 (Res. 57-2004)

The updated Sedgwick County Charter 57 Policy was adopted on July 21, 2004 to ensure purchases are conducted in a manner that provides efficiency, equality, fairness, and accountability. Purchases in an amount exceeding \$10,000 are offered to responsible vendors by competitive sealed bid and will be approved by the Board of County Commissioners if the bid exceeds \$25,000. The Board of Bids and Contracts approves purchases in an amount exceeding \$10,000 but less than \$25,000. The Board is composed of five diversified members within the County. Purchases less than \$10,000 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, only one vendor is capable of delivering/manufacturing the item, is a joint government purchase, or involves bartering.

Purchasing Cards (Res. 293-1985)

To expedite procurement and reduce purchasing and related payment paperwork by reducing the number of purchase order transactions, appropriate County employees are provided a purchasing card. The purchasing card is the preferred means to purchase and pay for eligible goods and services that cost less than \$1,500. Cardholders are encouraged to use the purchase card instead of other modes of payment for County purchases to the maximum extent practicable. 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 recommended, the County is required by the State to file the proper budget forms with the County Clerk. These forms demonstrate compliance with tax limitation legislation. Summaries of budgeted expenditures are also submitted to the Clerk.

The County Clerk calculates the annual mill levy 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. These fund levies are added to determine the total mill levy 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 below outlines the amount of taxes levied, the estimated assessed valuation, and the estimated mill levy included within the 2012 recommended budget.

| 2012 Budgeted Property Taxes | | | | |
|-----------------------------------|-------------------|--------------|------------------------|---------------------|
| Fund Description | | Taxes Levied | Estimated Assed. Value | Estimated Mill Rate |
| 110 | General Fund | 92,565,369 | 4,302,212,481 | 21.516 |
| 201 | WSU | 6,453,318 | 4,302,212,481 | 1.500 |
| 202 | COMCARE | 2,685,314 | 4,302,212,481 | 0.624 |
| 203 | EMS | 1,837,024 | 4,302,212,481 | 0.427 |
| 205 | Aging | 2,586,582 | 4,302,212,481 | 0.601 |
| 206 | Highways | 4,482,773 | 4,302,212,481 | 1.042 |
| 207 | Noxious Weeds | 391,938 | 4,302,212,481 | 0.091 |
| 301 | Bond and Interest | 15,602,789 | 4,302,212,481 | 3.626 |
| Total Countywide Mill Levy | | | | 29.428 |
| 240 | Fire District 1 | 14,577,088 | 792,370,530 | 18.397 |

Taxes are levied in the previous year to finance the current budgets. For example, 2011 taxes are used to finance the 2012 budget. The following chart illustrates mill levy rates for Sedgwick County and Sedgwick County Fire District 1 for budget years 1998-2012.

1998 - 2012 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 | 18.477 |
| 2011 | 29.359 | 18.336 |
| 2012 | 29.428 | 18.397 |

Kansas County Mill Levy Rankings

Sedgwick County levied less than 101 of the 105 Kansas counties for the 2011 budget year. Selected comparisons are shown:

2011 Tax Rates (2012 Budget Year) expressed in Mills for Selected Kansas Counties
(County seats in parentheses)

| Metropolitan Counties | |
|-------------------------------------|---------------|
| Shawnee (Topeka) | 41.016 |
| Douglas (Lawrence) | 35.773 |
| Sedgwick (Wichita) | 29.428 |
| Johnson (Olathe) | 23.188 |
| Neighboring Counties | |
| Harvey (Newton) | 31.316 |
| Sedgwick (Wichita) | 29.428 |
| Butler (El Dorado) | 35.775 |
| Reno (Hutchinson) | 38.594 |
| Kingman (Kingman) | 52.504 |
| Sumner (Wellington) | 61.270 |
| Highest and Lowest County Tax Rates | |
| Smith (Smith Center) | 131.354 |
| Johnson (Olathe) | 23.188 |

Source: County Clerk Offices



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% |

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 |

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. While all County funds are audited, some funds are budgeted separately from the standard annual budget appropriation process.

Governmental Funds - Account for revenue and expenditures relating to normal governmental activities, which are not accounted for in other funds. The County adopts an annual budget for most governmental 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.

- Special Revenue Funds - Account for revenue sources that are legally restricted to expenditure for a specific purpose or required by state law to be a separate 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. Capital projects go through a separate, ongoing budget adoption and amendment process.

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 Kansas Pavilions.
- Internal Service Fund - Accounts for internal governmental operations that provide services to other departments, such as Fleet Management.

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 the Equipment Reserve Fund, which is used to fund one-time, large equipment purchases. This fund typically is budgeted at the end of each fiscal year and carries over remaining, unspent budget authority from that year until the project is completed.

The Sedgwick County Public Building Commission has a separate legal status from Sedgwick County. This Commission acquires and finances buildings or facilities for Sedgwick County or other local entities, and bonds issued on behalf of the County are budgeted through the CIP process described above.

The fund structure can be found on the following page.

