FINANCIAL

POLICIES

&

PROCEDURES

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INTRODUCTION –

This manual is a compilation of financial policies observed by elected and appointed officials of Riley County. The intent of this manual is to combine all the policies into a central location, similar to the Riley County Personnel Policies & Guidelines, so those with significant degrees of fiscal responsibility can find relevant financial policies to conform to and ensure their practices meet the standards laid out herein.

These policies are primarily intended for department heads. However, they should also be made available to supervisory positions and to individuals who have budgetary authority or make frequent and regular purchases on behalf of the County. These policies are open for review by any interested employee or citizen.

These policies also establish a system of checks and balances for the protection of public funds. This system applies not only to expenditures but also to revenue. In order for these checks and balances to be preserved and the public trust to be retained in the County's management of these funds, each person involved in these processes is required to follow the procedures in these policies and expected to ask questions when necessary.

The responsibility of any formal adoption or amendment to the financial policy affecting the County's fiscal management as a whole lies with the Board of County Commissioners (BOCC). Individual department heads may adopt more stringent policies applicable to their respective departments, but not less stringent than the adopted financial policy. The financial policy, approved and adopted by the BOCC, shall be the responsibility of the Budget & Finance Officer to oversee.

A Budget & Planning Committee exists. The Committee is comprised of the following positions: Budget & Finance Officer, County Clerk, County Treasurer, Public Works Director/County Engineer, Planning & Development Director and County Counselor. The responsibilities of the Riley County Budget & Planning Committee shall consist of: (1) Reviewing the cash position of the funds maintained by the County and making recommendations for the use of those funds; (2) Reviewing any requests for the County to incur debt; (3) Reviewing and making recommendations on managing County risks as these risks pertain to physical, financial, and human assets, as well as legal liability exposures from a financial standpoint; (4) Reviewing all other matters of a financial nature referred by the BOCC to the Committee. The Budget & Planning Committee is also responsible for overseeing these policies and making recommendations to the BOCC regarding any necessary changes to facilitate the proper management of county resources.

PROCESS –

The Riley County budget is the end result of a process designed to provide for the expenditures of tax dollars for the benefit of Riley County citizens. To begin the process, department heads receive Budget Request Forms showing actual expenditures for recent years, the current approved operating budget for the department and a space for the coming year's budget request. The same process is followed for all benefit districts and special funds. Outside agencies also receive notification of the process to make their appropriation requests to the County.

During this time, the County Appraiser distributes preliminary appraisal valuation figures. The County Clerk uses the information to calculate assessed valuation in order to estimate the amount of ad valorem property tax to be received. The County Treasurer provides revenue estimates for the County's sales tax, interest earnings and other revenues described later in this chapter. The Cash Basis Law requires expenditures be less than cash on hand. The State Budget Law requires actual expenditures not exceed budgeted expenditures. Therefore, it is vital these estimates be accurate.

Once revenues and expenditures have been estimated, this "preliminary budget" is forwarded to the BOCC for review. The BOCC will provide direction on changes/adjustments. The BOCC is ultimately responsible to the citizens for the budget document, and more importantly, the taxes levied to support it. Property taxes are the primary source of revenue for the budget. They are generated from the prior year's valuation. The value of a mill (the unit used to determine the amount of tax dollars charged to property owners) is determined by the County Clerk and is a function of the total assessed valuation of real property within Riley County.

Once the BOCC's goals have been met, the Notice of Budget Hearing is published in the newspaper. The public hearing and formal adoption of the budget shall occur no less than ten days after publication. Once the budget is adopted, it becomes the official budget of the County. It is a legal document, and any fund exceeding the published budget must be amended.

BUDGETED FUNDS –

A variety of funds may be established and utilized. State law governs what funds a county may establish, how the funds are to be used, what revenue sources can fund these various funds, and whether these funds are required to be budgeted. Riley County utilizes several types of funds. The types of funds allowed and their purposes are as follows:

General Fund: The General Fund is used to account for all unrestricted financial resources except those required to be accounted for in another fund.

Special Purpose Funds: Special Purpose Funds are used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Projects and tax levies for long-term debt) intended for specific purposes. Some examples of Special Purpose Funds include the Capital Improvements Fund, the County Building Fund, the Register of Deeds Technology Fund and Motor Vehicle Operations.

Bond and Interest Fund: Bond and Interest fund is used to account for the accumulation of resources, including tax levies, transfers from other funds, and payment of general long-term debt.

Capital Project Funds: Capital Project Funds are used to account for debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business Funds: Business Funds are financed in whole or in part by fees charged to users of goods or services. Some examples of business funds include the Emergency 911 Fund and the Solid Waste Disposal Fund.

Custodial Funds: Custodial Funds are used to report assets held by the County in a purely custodial capacity.

REVENUE SOURCES –

The primary source of revenue for Riley County is the Ad Valorem Property Tax. This tax is levied on the assessed value of property in the County. The appraised value of any real property is taxed at a rate based on the class of property it belongs to. For example, residential property is taxed at 11.5% of appraised value and commercial property is taxed at 25% of appraised value. For example, the assessed value of a $100,000 home is $11,500, and a $100,000 building used for commercial purposes has an assessed value of $25,000. The assessed value is used to determine the amount of ad valorem property tax to be levied, which is based on the number of mills the BOCC approves during the budget process. Once the mill levy has been determined, it can be applied to the assessed value of the property. A mill is $1 for every $1,000 of assessed valuation. Therefore, in the example provided above, the property taxes owed on the $100,000 residential home will be: $11.50 for every mill levied. It will be $25 for every mill levied on commercial property. These taxes are due the coming year on December 20th (1st half) and the following May 10th (2nd half).

The property tax assessment process for the coming year begins on January 1. On this date, the County Appraiser classifies and values all taxable and exempt properties, and assessment rates are applied (see previous paragraph). By March 1st, the County Appraiser is required to notify each taxpayer of any changes to valuation or classification. June 1st is the last day for the County Appraiser to certify the completion of property appraisals. In October, as soon as possible, the County Clerk certifies tax levies to all

taxing jurisdictions. November 1st is the last day for the County Clerk to certify the completed tax rolls to the County Treasurer, who then prepares and sends tax bills to the taxpayers.

Another significant source of revenue for the County is local sales tax. Riley County levies a general purpose, ½ cent sales tax which is credited to the General Fund. Riley County also levies a ½ cent sales tax, which was approved by the voters, for the improvement of roads and bridges in the County. Generally speaking, by law, the sales tax Riley County collects must be shared with cities within the County.
Some additional sources of revenue include: Motor Vehicle Taxes, Earned Interest on Investments, Federal and State Aid, Licenses, Fees, Permits, and Intangible Taxes. These revenue streams provide the County's budget with alternative sources of income which help alleviate the need to rely solely on Ad Valorem Property Taxes.

EXPENDITURES –

Riley County is required by law, to adopt and submit a balanced budget to the State Division of Accounts and Reports each fall.

BUDGET & EXPENDITURE POLICY:

State laws do not require all funds to be budgeted. The BOCC requires all funds utilized by Riley County be budgeted, regardless of any state statutes exempting a fund or funds from the state budget law (K.S.A. 79-2925 through 79-2937).The following funds which are legally within the exclusive control of specific elected officials are exempt: Motor Vehicle Operating Fund and County Treasurer Technology Fund (County Treasurer); County Clerk Technology Fund (County Clerk); Prosecuting Attorney Training Fund and Special Prosecutor Trust Fund (County Attorney).

Therefore, the Capital Improvements Fund, the County Auction Fund, and any other County fund not legally within the exclusive control of a specific elected official are subject to the state budget law.

BUDGET AMENDMENTS –

All budgeted funds exceeding the adopted budget shall be amended in accordance with state law except the Register of Deeds' Technology Fund which is within the exclusive control of a specific elected official. The Register of Deeds' Technology Fund is legally required to be budgeted for the information of the taxpayers of the county. However, such fund shall not be amended if expenditures exceed the adopted budget.

When a County fund must be amended, the responsible department head shall communicate such need to Budget & Finance Officer, who shall reserve time with the BOCC to discuss the amendment. The department head shall be requested to attend the

BOCC meeting to answer any questions concerning the amendment. The BOCC shall approve or deny motion to amend the budget. If the amendment is approved, any necessary fund transfers shall be made.

Prior to the end of the year, Budget & Finance Officer shall compile a list of all approved budget amendment(s), complete the required state forms, and publish the amendment(s) in accordance with state law. A hearing shall be scheduled ten days subsequent to the publication, which shall be followed by the adoption of the amendments. Final adoption must occur prior to the end of the budget year in order to avoid violation of state budget law.

ESTABLISHING & CLOSING FUNDS –

Every effort shall be made by all department heads to utilize existing fund numbers within the financial system. However, new funds shall be established as prescribed by state law when necessary as a result of bond issuances, grant awards[2], or other extenuating circumstances. If it is only necessary to track project expenditures separately, a project code will be assigned in lieu of creating a new fund.

When the useful purpose of a fund has passed, any fund balances shall be handled in accordance with state law. If necessary, the County Counselor shall issue a legal opinion guiding the BOCC. After the BOCC decides to close a fund, the Budget & Finance Officer shall notify all affected parties and close the fund. Once the fund is closed, no additional revenue or expenditures shall be posted to the fund.

ESTABLISHING A FUND PROCEDURE:

If a new fund is necessary, the respective department head shall obtain the "*Authorization to Establish a New Fund*" Form from the Treasurer's office.

The Authorization Form shall be returned to the Treasurer's Office prior to establishing the fund. Budget & Finance Officer shall prepare a budget amendment if necessary.

[2] Grants are described in greater detail in Appendix B, the Riley County Procurement Code for Federal Grants.

PROCESS –

The issuance of debt is a crucial tool for Riley County to utilize for large capital projects such as roads, bridges, public buildings, water, and sewer systems. In order to pay for these improvements without overburdening current citizens, debt is used to assist in the replacement of capital structures as a way to charge the costs of the replacement over the course of a number of years to all citizens benefiting from the improvements. Projects or purchases recommended to the Board of County Commissioners (BOCC) for completion using debt (both long term bond issues and short term lease purchase obligations) as the primary funding mechanism, shall have an expected life ranging from at least 5 to 20 years.

STATEMENT OF DEBT:

Debt Issuance shall be considered after other alternatives available to the County have been reviewed.

Once it is determined debt financing is preferred, the following shall be prepared and discussed:

- Amount of debt currently outstanding for Riley County;
- Source of revenue for the payments;
- Length of time to pay off the issue;

TEMPORARY NOTES –

Temporary (Temp) Notes are generally issued for terms of one year although some may be extended three to four years. The purpose is to provide funds to the County for unforeseen expenditures or to begin large projects. Temp Notes are typically paid off with a G.O. bond.

TEMPORARY NOTE ISSUANCE PROCEDURE:

The following steps shall be followed when issuing Temp Notes.

1. Any department requesting Temp Notes shall notify **Budget & Finance Officer** at least 90 days prior to the deadline for financing. The information provided by **Department Head** shall include but not be limited to the following information:
   - **a.** Project name
   - **b.** Total amount of project
   - **c.** Funding source for repayment
   - **d.** Project start and completion date
   - **e.** Up to $10,000 initial funds (borrowed from the General Fund at 6% interest)

2. **Department Head** will provide **Budget & Finance Officer** with a project summary report estimating expenditures. If necessary, a New Fund form will be completed by **Department Head** following the "Procedure for Establishing a Fund" in Chapter 1.

3. **Bond Counsel** shall be notified by **Budget and Finance Officer** of the project costs.

4. **Bond Counsel** will submit all necessary resolutions to **Budget & Finance Officer and County Counselor** for review. Approvals or corrections are returned to **Bond Counsel.**

5. **BOCC** adopts resolution authorizing the financing of the project.

6. **Budget & Finance Officer** will provide **Bond Counsel and Financial Advisor** (if competitive issuance) with preliminary issuance information.

7. **Bond Counsel** prepares and submits to **Budget & Finance Officer,** a tentative timetable for the issuance of the Temp Notes.

8. **Bond Counsel** will mail drafts of sales documents to **Budget & Finance Officer, County Clerk and County Counselor** for review. Approvals or corrections are returned to **Bond Counsel.**

9. **Bond Counsel** will prepare and mail to **Budget & Finance Officer** the Temp Note Resolution, Bid Proposal and Notice of Sale. The **Financial Advisor** will distribute a draft Preliminary Official Statement to all parties (**Budget & Finance Officer** verifies the Preliminary Official Statement contains current financial and other information). **Budget & Finance Officer** shall obtain a form letter from the auditor allowing for the inclusion of the audit in the Official Statement, if required.

10. **Bond Counsel and Financial Advisor** finalizes all matters related to distributing Official Statement and Bid Form to potential bidders. Copies of the Preliminary Official Statement and Notice of Sale will be provided to **Budget & Finance Officer**.

11. The **Financial Advisor and Budget & Finance Officer** will monitor the receipt of bids and attend the bid opening. **The Financial Advisor** will verify the accuracy of the low bid and make a recommendation to the **BOCC**.

12. **The Financial Advisor** will prepare the Closing Memorandum and Final Official Statement and distribute copies to all parties. **Bond Counsel** will prepare the final legal documents and distribute to all parties.

13. **The Financial Advisor** will prepare the final debt service schedules for the Notes and advise **Budget & Finance Officer** of the closing procedure for the issue, the total amount of proceeds to be received, an allocation of funds into various accounts and detailed electronic wire transfer instructions.

14. **County Treasurer** provides the **Financial Advisor** with the wire transfer information and notifies **Budget & Finance Officer** when proceeds arrive.

15. For Temp Note pay-off, **Bond Counsel** will calculate pay-off and notify **Budget & Finance Officer.** The information shall include maturity date, total amount of pay-off and wiring information. If the issuance of Temp Notes includes a redemption or refinancing of an outstanding Temp Note issue, the Financial Advisor and Bond Counsel shall coordinate the distribution of the redemption notice to the Paying Agent and Note Owners. This notice shall be sent 45 days in advance of redemption to the Paying agent, who, in turn, will provide a redemption notice to the Note Owners 30 days in advance of the date for redemption.

    Budget & Finance Officer will monitor the status of all temp note maturity dates.

GENERAL OBLIGATION BONDS –

The primary bond utilized by Riley County is the General Obligation (G.O.) bond, which is a low risk bond in the view of investors because the G.O. bond is backed by the full faith and credit of the County. The County, in issuing G.O. bonds, pledges to levy a property tax sufficient to meet the annual payment obligations. A G.O. bond is a long-term financing mechanism.

Counties in Kansas have the ability to issue general obligation bonds for land acquisition, road, bridges, culverts and building projects. In addition, the debt limit for general obligation bonds issued by counties in Kansas may not exceed 3% of the county's assessed valuation. General obligation bonds can be paid from several sources of revenue including ad valorem and sales tax revenue.

- **K.S.A. 68-1101 to 1132 – Roads, Bridges and Culverts**

- Improvements Authorized: Construction and repair of roads, bridges and culverts. These statutes make extensive, and often antiquated, provisions with respect to construction, maintenance, and supervision of county bridges, culverts and, in some cases, roads.
- Necessary Action: Approval of the Board of County Commissioners. Certain notice and protest requirements apply to the issuance of bonds for some purposes.
- Financing Options and Limitations: K.S.A. 68-1103 authorizes a county to construct, reconstruct or repair roads, bridges and culverts upon the authority of the Board of County Commissioners. General obligation bonds may be issued, without notice or protest requirements, to the costs of constructing, reconstructing, or repairing bridges and culverts. A county may also issue general obligation bonds to pay the costs of building or repairing roads in the county. No bonds may be issued to pay costs associated with road construction or construction until the publication of a resolution stating the intention of Board of

County Commissioners to issue such bonds. This resolution must be published for three consecutive weeks. After the third publication a 60 day protest period begins. If during the protest period a petition signed by not less than 5% of the qualified electors of the county is filed, the question of issuing bonds for road purposes must be submitted at an election. K.S.A. 68-1106 authorizes the issuance of general obligation bonds for bridge construction and repair projects which exceed $250,000 in estimated costs. If the county uses these provisions, a resolution declaring it necessary to build or repair the bridge and specifying the amount of bonds to be issued must be approved and published twice in the official newspaper. The statute specifies a 30-day protest period during which 5% of the qualified electors may submit a petition requiring an election be held on the question of issuing bonds.

- Home Rule: Certain statutes, including K.S.A. 68-1106, are non-uniform and subject to exemption or modification through a home rule charter resolution.
- Applicability of Debt Limitations: Bonds issued under K.S.A. 68-1103 for bridges and culverts are not subject to aggregate debt limitations. General Obligation bonds issued for road purposes under this statute are subject to aggregate debt limitations applicable to counties which is 3% of the assessed tangible taxable property of the county, including motor vehicle (K.S.A. 10-306 and 10-307). Bonds issued under a home rule charter of these statutes will be subject to the statutory aggregate debt limitations of the county.

➢ **K.SA. 68-701 *et seq*. – Benefit Districts**

- Improvements Authorized: Improvements to county roads for which a benefit district petition has been received. This is an antiquated set of statutes which permit the creations of benefit districts within the county for road improvements and the levy of special assessments to pay the costs. The county may pay up to 60% of the costs in some cases.
- Necessary Action: Receipt of a petition signed by a specified percentage of benefitted property owners. The specific requirements for the petition, publications and notice are detailed in K.S.A. 68-701 to 69-703.
- Financing Options and Limitations: After the costs of such projects have been apportioned between the county at large and the property owners who benefit from the improvements the county may issue bonds to pay the costs of the improvements and levy taxes, both specific and general, to pay such bonds.
- Home Rule: These statutory provisions are non-uniform and subject to a home rule charter resolution. Such a charter could be used to clean up some of the more antiquated provisions and restrictions. It would be necessary for the charter resolution to retain the benefit district form but the percentage costs which could be paid by the county at large, could be increased as much as 99% if the county wishes.
- Applicability of Debt Limitations: It appears the legislature intended to exempt bonds issued for such purposes and taxes levied to pay such bonds from any other statutory limitations. Because these statutes were first enacted before the existence of the current aggregate debt limitations, the language employed to state

the exemption differs from the more direct statements in modern statutes. Before assuming such exemption exists, seek an opinion from the Attorney General confirming this reading of the statute. Bonds issued under a home rule charter of the statute will be subject to aggregate debt limitations.

- **K.SA. 19-15,114 to 19-15,118 – County Public Buildings**

- Improvements Authorized: Alteration, repair, reconstruction, remodeling, furnishing, equipping, extending, adding to, enlarging or other enhancement to a public building. Public building is defined as any building or structure determined by the BOCC to be necessary for any public county purpose.
- Necessary Action: Varies depending upon the method of financing selected. Financing Options and Limitations: A county may, upon resolution of the BOCC, issue general obligation bonds, in an amount not exceeding $300,000 to make improvements under this statute. The issuance of general obligation bonds in amounts greater than $300,000 must be authorized by an election. This statute also authorizes the levy of an annual tax of not greater than 1 mill for a period of 10 years to create a building fund for a particular purpose. This tax may be levied after a resolution is adopted by the BOCC authorizing the tax and stating the purpose for which it is to be levied. This resolution must be published once a week for three weeks. There is a 30-day period after the last publication when the electors of the county may file a petition requiring the question of the tax be submitted to an election. If no protest is filed, the tax may be levied. After making the second levy, if the monies in the building fund are not sufficient to accomplish the purpose of the levy, the county may issue general obligation bonds, without an election or protest, in an amount which, together with the amount already received, will not exceed the amount stated in the resolution which authorized the levy.
- Applicability of Debt Limitations: Bonds issued under the authority of this statute are subject to aggregate debt limitations. Tax levies authorized under this statute are exempt from aggregate levy limitations applicable to counties.

REVENUE BONDS –

Another type of bond is the revenue bond. A revenue bond derives revenue to meet the bond payments from a specified source. For example, the Law Enforcement Center was funded using revenue bonds – the revenues came from a special ½ cent sales tax approved by the voters of Riley County. Another example is the Solid Waste Transfer Station. Revenues earned from the deposit of refuse were transferred to the Bond and Interest Fund to pay the bonds issued to construct the Transfer Station facilities. Depending on the wording of the bond documents, bonds issued may be backed first by a defined revenue stream, and in the event the revenues generated are insufficient to make the bond payments, another source, property taxes (for example), could be levied to cover any shortfalls. These bonds are long-term financing mechanisms.

LEASE PURCHASES –

Lease purchase agreements are periodically entered into when it is financially beneficial to the County. Consideration is given to the useful life of the equipment, the cost of the piece of equipment, and whether the County has the funds on hand to purchase it outright through CIP funds. Lease purchases are short-term financing mechanisms.

- **K.S.A. 19-101 - Lease Purchase Financing**

- Improvements Authorized: Lease purchase agreements originally were used to finance large equipment purchases such as fire engines, road graders and computer systems. Lease purchase agreements remain a common financing tool for all types of equipment used by counties. Lease purchase financing is also used to finance real property and buildings and may be used by counties to finance any public improvement in which some form of security interest may be granted. Leases have been used in Kansas to finance the acquisition and construction of public buildings such as jails, mental health facilities, solid waste transfer stations, maintenance and storage buildings, community centers and other county buildings, and recreational facilities such as parks, ball fields and golf courses. Lease agreements do not work as well for improvements where no security interest may be reasonably granted. These improvements include infrastructure such as streets, sewers, sidewalks, and water lines.
- Necessary Action: A lease purchase agreement is authorized by resolution of the board of county commissioners. If the lease arrangement is to finance a building or land, is for a term longer than a year, and provides for annual payments that exceed $100,000 in the aggregate, the county must first adopt a resolution stating its intent to enter into the lease. This resolution is published once a week for two weeks and is subject to a protest petition for a period of 30 days after the second publication. If a sufficient protest is filed the lease purchase arrangement must be approved at an election.
- Financing and Limitations: In a typical lease purchase transaction the county leases property from another party, such as a bank, vendor or leasing company. The rental payments from the county are sufficient to pay the full purchase price of the property plus interest accruing over the life of the lease. All lease payments are subject to annual appropriation by the county and the financed property is pledged as collateral. If the county decided not to appropriate payments for a future year, normally the lease terminates, the financed property is turned over to the vendor, bank or leasing company and the county forfeits its interest in the property. Lease purchase agreements and lease financing are permissible due to exceptions provided in the Kansas cash-basis law and the budget laws. Because payments made under a lease purchase agreement must be appropriated annually, financial markets view the leases as less secure than the county's general obligation bonds or its payments under a PBC lease. For that reason, lease purchase agreements have a higher financing cost than either general obligation bonds or revenue bonds.

Applicability of Debt Limitations: Annual appropriation lease payments are not considered debt within the meaning of any debt limitation statute.

STATE AND FEDERAL LOAN PROGRAMS –

Various federal and state agencies offer a variety of loan programs. These agencies typically provide financing for specific types of equipment, facilities or program purchases. In most cases, the term of the loan extends over the life of the asset. Some loan programs are restrictive in the intended use of the asset or in who is eligible for the financing, therefore most require an application process. All federal loan programs are reported as grant funding. The expenditures for these programs are reported on the Schedule of Expenditures of Federal Awards (SEFA) to determine if the grant qualifies for a single audit. Examples of loan programs Riley County used as financing tools include but are not limited to U.S.D.A. Community Facilities Guaranteed Loan program, Kansas Water Pollution Control Revolving Loan program, K-DOT Revolving Loan program, and U.S.D.A. Rural Development loan. Typically the only cost of issuance with these programs is Bond Counsel costs.

DEBT PAYOFF & REFUNDING –

Economic conditions will largely dictate whether the County elects to pay off outstanding debts early or to refinance outstanding debts. Debt financing allows for equitable allocation of project costs among all citizens who will benefit, which also must be considered prior to early payoff or refinancing.

Considerations for the early retirement of debt shall include the length of time remaining on the debt issue, the impact of early payoff to the County's cash flow in the fund from which the proposed payoff will be made, and interest savings for the County.

Refunding or refinancing of outstanding debt shall be considered after consultation between the County's Budget & Finance Officer, County Clerk, financial advisor and bond counsel.

The BOCC shall approve all early payoffs and refunding of debt issues.

TAX-EXEMPT OBLIGATION POST-ISSUANCE COMPLIANCE –

The County has adopted a Tax-Exempt Obligation Post-Issuance Compliance Policy which sets forth specific policies designed to monitor post-issuance compliance of tax-exempt qualified obligations issued by the County, including but not limited to bonds, notes and lease purchase agreements. This policy can be found within Attachment A.

CHAPTER 3 – CAPITAL IMPROVEMENTS PROGRAM

OVERVIEW –

A Capital Improvements Program (CIP) serves as a guide for the efficient and effective provision of public infrastructure, facilities, equipment and technology by continually planning for these needs. The CIP is published annually and illustrates the proposed development, modernization, or replacement of fixed public assets over a multi-year period. The CIP presents these projects in a sequential order based on a schedule of priorities and assigns an estimated cost and anticipated method of financing for each project.

Planning for capital improvements over time optimizes the use of Riley County's limited financial resources and assists in the coordination of public and private development. In addition, the planning process is valuable as a means of coordination among County agencies to avoid duplication of efforts and to take advantage of joint planning and development of facilities where possible. By looking beyond year to year budgeting and projecting what, where, when, and how capital investments should be made, the CIP enables Riley County to maintain an effective level of service to the present and future population.

When there is sufficient time for planning, the most economical means for financing each project can be selected in advance. The CIP can also facilitate reliable capital expenditure and revenue estimates and reasonable bond programs by looking ahead to minimize the impact of capital improvement projects. Keeping planned projects within the financial capacity of the County helps to preserve its credit rating and makes it more attractive to business and industry. Thus, the CIP is an integral element of Riley County's budgetary process.

1. The Capital Improvement Program is a multi-year plan for capital expenditures needed to replace and expand public infrastructure. The program is updated quarterly to reflect the community's latest priorities, updated cost estimates, and latest estimates for federal aid.

2. A capital project is considered a major (greater than $5,000), nonrecurring tangible fixed asset with a useful life greater than one year. Projects under $5,000 (excluding land purchases) or maintenance-related expenditures are placed in a department's operating budget.

3. Each quarter department heads will submit their respective CIP requests. The CIP requests will include department name, name of project, priority of project, explanation and justification for project, cost, and estimated time frame.

CIP CATEGORIES –

1. Acquisition of or option to buy land and/or rights in land, whether by purchase or eminent domain proceedings, regardless of cost.

2. Construction of any new facility, structure, building, or public improvement or any addition/major renovation to an existing structure.

3. Acquisition of fixed equipment, machinery, or information technology. Information technology is defined as all hardware, software, and peripheral devices the Information Systems department supports and/or services.

4. Preliminary planning costs for architectural and engineering studies to help ensure projects have reasonable and accurate cost estimates. Planning funds will be repaid from project funding if approved in the CIP.

MISCELLANEOUS PROVISIONS –

CIP Forms: **CIP Project Funding Authorization Forms** are used to initiate a request for a CIP project to be put on the Multi-Year**, Non-Funded Project** report. A **CIP Project Funding Authorization Form** is also used to authorize and activate a CIP project for funding. A **CIP Project Amendment Form is used to amend an approved project. A CIP Project Completion Form is used when project is complete.**

CIP Project Status Codes: **Non-Funded** projects are projects with a CIP Project Funding Authorization Form completed but not authorized. **Funded** projects are those projects approved by the Board of County Commissioners (BOCC) and activated utilizing the **CIP Project Funding Authorization Form**. **Completed** projects are those projects formally closed by the Department Head responsible for the project utilizing the **CIP Project Completion Form**.

CIP Reports: The **Multi-Year, Non-Funded Projects** form is a report listing in detail all projects **requested** by Department Heads, but **NOT** yet funded. The **Funded Projects Cash Flow** report lists in detail all projects **funded and all projects completed in the current year**.

PRIORITIZING CAPITAL IMPROVEMENTS –

Priorities are assigned by the Department Heads by numerically ranking new proposals and reviewing prior submittals for any changes to ranking.

REQUESTING A CIP PROJECT –

1. Each quarter Budget & Finance Officer will send **CIP Multi-Year, Annualized Non-funded Project Form** to all Department Heads to review and update.

2. Department Heads will complete a **CIP Budget Request Form** for all requested projects for the next 5 years. These forms are due to the Budget & Finance Officer two weeks after the requests are sent out. *NOTE: If the project is I.T. related, the CIP Budget Request Form must include the required I.T. information as well as the approval from the Information Technology Director.*

3. All requests shall be compiled by the Budget & Finance Officer and added to the **Multi-Year, Non-funded Project** form.

4. A general meeting with the BOCC will be set quarterly to discuss the CIP budget requests. All department heads with a CIP Budget Request should attend to answer questions pertaining to their specific projects. The BOCC will review all CIP Budget Requests to determine which projects will be funded during each meeting.

5. If projects are approved by the BOCC, they are placed on the **Funded Projects Cash Flow Analysis** report administered by the Budget & Finance Officer.

6. The **Funded Projects Cash Flow** report will be presented to the BOCC during the Commission Meeting on the second Thursday of every month. In the event a project becomes an emergency, the proposed project will be presented to the BOCC, and if necessary, adjustments made to the funded project list to accommodate the project.. All affected department heads will be informed if this occurs.

FUNDING & AMENDING A CIP PROJECT –

1. A **CIP Project Funding, Amendment, and Completion Form** must be initiated by the Department Head for the funding to be considered. The Department Head shall submit amendment requests in writing to the Budget & Finance Officer. The Budget & Finance Officer attaches the amendment request to the original form used to activate the initial funding of the CIP project .

2. The CIP Project Funding, Amendment, and Completion Form will be delivered to the Treasurer's office to verify cash is available to activate the project for initial funding or amendment.

3. The Clerk's office then verifies budget authority exists for the initial activation or amendment.

4. The BOCC finalizes the project activation form with the Chairman's signature verifying the approved amount for the initial project or amendment to the original project.

5. The Original signed copy will be kept on file in the Budget & Finance Officer's office. The Department Head will receive a copy of the signed form.

6. The Budget & Finance Officer will update the **Non-funded Project** form and the current **Funded Projects Cash Flow Report** with the approved projects.

7. Project purchases are the responsibility of the Department Head and are subject to the Riley County Procurement Policy.

COMPLETING A CIP PROJECT –

The department head notifies the Budget & Finance Officer in writing when the project is complete. The Budget & Finance Officer uses the original **CIP Project Funding, Amendment, and Completion** F**orm** to document the completion. This form is delivered to the Department Head for signature. The Department Head returns the signed form to the Budget & Finance Officer to retain in the CIP files.

INVOICES FOR CIP PROJECTS –

Department Heads receiving invoice(s) for CIP projects shall verify work was completed satisfactorily or equipment was delivered, code and sign off on the invoice, and forward to the Budget & Finance Officer. The Budget & Finance Officer reviews invoice coding and adds the costs to the Funded Projects Cash Flow report before forwarding invoice to the Administrative Analyst in the Clerk's office.

CHAPTER 4 – OTHER FINANCIAL POLICIES & PROCEDURES

PETTY CASH –

The purpose of a petty cash fund is to provide funds for incidental expenditures occurring periodically throughout the month in lieu of a formal voucher. The imprest petty cash balance maintained by department is determined based on the number and amount of minor departmental expenditures in a month. All petty cash funds will be established by the Board of County Commissioners (BOCC) using a blanket resolution. After the initial resolution, any change in the balance of the petty cash fund will need a separate resolution submitted to the BOCC along with justification for the change.

The funds shall be administered by one individual in each department. The petty cash funds should be segregated from all other cash. The custodian of the petty cash funds should not have access to the accounting records or cash receipts. A maximum amount (generally $25 or less) should be set for individual disbursements from the fund. Pre-numbered vouchers should be completed in ink (to discourage alterations), include the date, amount, and nature of the expenditure, and be signed by the recipient of the cash. A responsible individual other than the custodian of the fund shall review and approve all petty cash vouchers, ensuring proper policies and procedures are followed.

PETTY CASH POLICY:

When items are purchased with petty cash funds, the receipt for the purchase is put in a petty cash box (or otherwise accounted for). The receipt must equal the expenditure(s). Petty cash funds shall not be used for personal purposes.

When petty cash funds need replenished, a receipt and voucher are given to the Clerk's office for reimbursement. The documentation shall include a breakdown of the amount and the code for all expenditures. The total cash in the box plus expenditure receipts paid out shall equal the amount of the original imprest petty cash balance.

Keep money collected for copies, fees, etc. separate from petty cash funds. These receipts must be deposited, at least monthly, with the Treasurer's office and credited to: (fund)-(dept.)-0602 (misc. collection).

PREPAID REVENUE –

Prepaid revenues are payments received for services or goods before the services have been performed or the goods have been received. This should be done only when it is not cost-effective to have the customer pay when the service is performed or the goods are received.

An example of a prepaid revenue is a customer periodically requesting maps costing $1.50, but the customer does not require many at any one time. It is time-consuming to

process the paperwork each time. If the Appraiser's office is willing to take prepayment, they would accept any amount of money the customer is willing to spend prior to receiving the maps. Someone in the Appraiser's office would then track the number of maps the customer received until the amount of prepaid funds is depleted.

PREPAID REVENUE POLICY:

Each department accepting prepaid revenue will be responsible for tracking the actual rendering of services or goods received. Since the County must operate in accordance with the cash basis law, it is necessary to record the receipt of payment as revenue when received. Revenue should be recognized when it is both "measurable and available to finance expenditures of the fiscal period" (GASB 33). At the time of receipt, the department shall complete a paid-in form to submit to the Treasurer's Office for deposit in the bank and to post to the financial system (see Accounts Receivable Policy below).

EXTERNAL REIMBURSEMENTS –

An example of external reimbursement is when the County and City agree to split the costs of a traffic study, and the County is billed for the entire amount. The County will pay the full amount and invoice the City for their portion.

EXTERNAL REIMBURSEMENT POLICY:

The reimbursement is coded as revenue which, if necessary, shall offset the expenditure without budget authority being affected.

ACCOUNTS RECEIVABLE –

Accounts receivable are generally considered any monies owed to Riley County.

Delinquent Tax Collections:

The Treasurer's office will attempt to work with customers so taxes do not become delinquent. Many options will be offered to aid in the collection of taxes. The ultimate goal is to have all taxes paid in a timely manner, thus reducing additional costs and inconvenience for the customers as well as the Treasurer's office.

As the rate of timely collections increases, efforts to collect the delinquent taxes decrease. The collection policy will be administered in a fair and equitable manner to all customers. General procedures for collecting delinquent taxes are set forth in the Kansas Statutes. Beyond the statutes, the Treasurer's office has set up a partial payment plan for delinquent taxes and an escrow payment plan for current taxes. These plans allow citizens to budget for monthly payments rather than one or two large annual payments.

DELINQUENT PERSONAL PROPERTY TAX PROCEDURE:

1. The Treasurer's office sends delinquent notices to owners of record within 45 days after payment due date. Notices for delinquent taxes on personal property are required by statute to be sent to the owner.

2. According to state statute, after personal property taxes are delinquent, The Treasurer will deny renewal of any vehicle plate under the owner's name. A statewide system is in place to identify vehicles in other counties whose owners have delinquent taxes.

3. According to state statute, the County may withhold vendor payments for services rendered to the County if any of the owner have delinquent personal property taxes.

4. If the delinquent notice for personal property is not paid within 30 days, it will be turned over to the Riley County Police Department for collection.

5. If delinquent taxes on personal property are not remitted to the Police Department within 30 days, judgment is entered in Riley County District Court on or before October 1 of each year.

6. For three consecutive weeks in October, a list of delinquent personal property taxes is published in the Official County newspaper as determined by the BOCC.

DELINQUENT REAL ESTATE TAX PROCEDURE:

1. Even though it is not required by state statute, the Treasurer's office sends notices real estate taxes are delinquent within 45 days after the due date.

2. For delinquent real estate taxes, if the current tax is not paid by July 31, delinquencies are published in the Official County newspaper for three consecutive weeks in August.

3. All real estate taxes remaining unpaid on the first Tuesday in September will become the property of the County. The County will place a lien on the property until taxes are paid.

4. If real estate taxes remain delinquent for two years (three years for a primary residence) then it is eligible for a county judicial tax sale.

5. Once the tax sale is filed, the owner is required to pay an additional fee for court costs to clear the property of the lien.

PARTIAL PAYMENT PROGRAM POLICY:

1. This program is for partial payments on delinquent taxes and is strictly voluntary. Participation in this program does not preclude any statutory regulations.

2. The participants must sign a contract. Payments must be at least $10 per month.

3. Interest accrues until final payment is made.

4. The maximum time frame of a payment program for real estate is two years and for personal property is one year.

5. If real estate property is eligible for the next tax sale, the owner is not eligible to participate in this program.

6. Any late payments or defaults, while participating, will terminate the contract and future participation shall be denied.

PAID-IN PROCEDURE:

"Paid in" forms are used to deposit any revenues received by departments. The Treasurer's Office keeps blank paid-in forms and shall be used in chronological order. If a paid-in form needs to be voided, mark void on the form and return it to the Treasurer's Office.

All paid in forms must contain the following information:

1. Receiving Department
2. Current Date
3. Fund name/Transaction description
4. Fund Number/Department Number/Object Code/Project Number
5. Amount per fund/Sub-Total/Any Cash Back/Grand Total
6. A breakout of checks, bills, and coins
7. Department signature

All checks received shall be reviewed to ensure:

1. Check is dated with the current date
2. The check is signed
3. The check amount and legal line match (Note: The bank will accept the legal line over the written amount)
4. The department has endorsed the check

Any large deposit of coins must be rolled and marked by the department. If more than four funds are needed, write them neatly on the paid-in or include them on a separate paid-in form. Finally, take the completed paid-in form to the Treasurer's Office to be recorded. The pink copy will be returned to the originating department and the white and yellow copies are kept in the Treasurer's Office. Should you need assistance in completing the paid in forms, contact the Treasurer's Office. Ensuring the revenues are deposited in the correct funds with the correct object codes will save time and energy spent correcting inaccurate deposits.

ACCOUNTS PAYABLE –

Department heads are responsible for the expenditures paid out of funds they administer and budget. All invoices received by a department shall be properly coded for payment upon confirmation the goods and/or services being billed for have been delivered or rendered and have met the department head's satisfaction. Additionally, all expenditures must meet the requirements set forth in the Riley County Procurement Code, which can be found in Appendix A. Expenditures must be paid for in the same budget year as received unless the invoice indicates a due date other than the specific budget year or the expenditure has been encumbered. For example, a 2018 membership to an organization with a due date on the invoice of 12/31/17 can be paid out of 2017's budget as long as it has been processed consistently in prior years. For expenditures from the CIP Fund, Economic Development Fund and the ½ Cent Road & Bridge Capital Project Fund, invoices shall pass through the Budget & Finance Officer before being submitted for payment to the Administrative Analyst in the Clerk's office, so an up-to-date cash flow analysis can be maintained.

Invoices are paid bi-monthly.. All accounts payable shall be presented to the BOCC for final approval.

ENCUMBRANCE POLICY:

The encumbrance process allows for departments to request funds from a current budget be made available for payment after the budget year ends. Typically the Clerk's Office will set a date in mid-December, by which all encumbrance requests must be submitted. Once this date has passed, no additional encumbrances will be allowed for the current year unless extenuating circumstances exist. The encumbered funds will then be available to be spent in the following budget year(s), provided : 1.) The contract is signed or agreement is made in the year the funds were encumbered, or 2.) estimates made for goods or services are received or performed and paid by the end of the first quarter of the next year. At least one of these conditions shall be met or the encumbrance shall be canceled and the expenditure shall be charged against the current year's budget.

This process does not apply to funds the Treasurer's Office writes expenditures from. Any expenditures charged against these funds shall be turned in to the Treasurer's Office by the last business day in December of the current year.

PAYROLL –

All payroll policies will be in accordance with the approved Riley County Personnel Policies and the Fair Labor Standards Act. Specific policies regarding leave administration and pay policies are outlined in the personnel policy manual.

Each employee is entered into the appropriate department so all clock hours are recorded. The ADP Time & Attendance system (the time clock) is set by the pay policies established through our personnel policy manual. Entry into the timekeeping system is done by the Administrative Analyst or Accounts Payable, Payroll & Benefits Specialist positions in the County Clerk's Office. Adjustments or leave requests are submitted by the employee, approved by the department head, and then processed under our payroll consolidation process. The BOCC has given these positions the responsibility of adjusting or correcting any submitted documents in order to follow the personnel policies. Once the bi-weekly payroll is completed through the timekeeping system, the data is transferred into the ADPWorkforceNow payroll accounting system.

The ADPWorkforceNow payroll accounting system has an employee maintenance system which includes general employee information, employee benefit management, and the payroll payment process. General employee maintenance is done to ensure each employee's information is current and correct. Any updates to an employee's information must be given in a timely manner to the Accounts Payable, Payroll & Benefits Specialist to ensure all payroll data is complete for each payroll. Any changes regarding a benefit change or tax withholding change are filed in the appropriate payroll pay date file. These changes are updated prior to the completion of the appropriate payroll. The pay register is reviewed and verified by the Human Resource Manager.

All benefits are also coordinated and administered through the Accounts Payable Payroll & Benefits Specialist and Human Resource Manager positions. The ADPWorkforceNow payroll system creates reports, such as payroll registers and statistical summaries, which are balanced against the ADP Time & Attendance hours for each employee. Employee benefits are also checked for accuracy with these reports. After the register and statistical summary are verified for accuracy, payroll is then approved in ADP and must be completed by 3:30 p.m. on Wednesday of each pay week. Reports are then printed for the BOCC to sign and for the treasurer's office to utilize for bank reconciliation. Then a file is created to transfer all pay and benefit information into the County's accounts payable system in KOMTEK.

After the file is uploaded into KOMTEK, checks are created for Accounts Payable benefit vendors (such as AFLAC, Illinois Mutual, Nationwide and Philadelphia American) and are processed by the Accounts Payable, Payroll & Benefits Specialist in the County Clerk's office. ACH wire payments are processed and paid directly by ADP including KPERS, Kansas State tax withholding, FICA/Medicare, and Federal tax withholding. Once the Accounts Payable entries are processed, they are calculated and submitted for payment either to the Treasurer's accountant (for electronic payment of the above taxes) or through mailing.

Monthly wage and overtime reporting is done for the County Clerk's financial update to the BOCC and is used to compare monthly and year-to-date payroll expenditures to the annual budget. Quarterly reporting is processed by ADP for the IRS 941 reports and Kansas State Unemployment. Wages and taxes are calculated and verified by the Human

Resource Manager. These calculations are gathered from the bi-weekly payroll registers as processed above.

Year-end reporting is done for the Kansas Public Employee Retirement System (KPERS) and the Internal Revenue Service (IRS). Per Pay Period reporting is required to be submitted to KPERS for each eligible employee on the retirement system. The contributions are reconciled to the bi-weekly vendor payments, and KPERS verifies the contributions in an annual contribution audit. W-2 reporting is performed by ADP and an annual W-3 report is used to reconcile the quarterly IRS 941 reports. The quarterly 941 reports are used to verify the ADP Annual Wage and Tax Report by the Human Resource Manager.

CASHING CHECKS –

Neither customers, nor employees of Riley County will be allowed to write checks to obtain cash. Checks written to the County for taxes or services obtained shall be for the amount due, except in the case of prepaid revenues for services to be delivered at a later time. Kansas State Bank has placed an ATM machine in the County Office Building. Any customer or citizen requiring cash shall use the ATM.

INTERFUND TRANSFERS –

Budgeted transfers from one fund to another fund must be authorized by statute. K.S.A.79-2934 states in part: "No part of any fund shall be diverted to any other fund, whether before or after the distribution of taxes by the County Treasurer, except as provided by law." This means a transfer from one fund to another should be made only if specifically authorized by state statute, and only in accordance with statute.

Transfers from one fund to another fund shall be shown in the budget as separate line items in the affected funds and identified either as a "transfer to _____ fund" or a "transfer from _____ fund" item as appropriate. For example, the entries to record a transfer from the general fund to a capital project fund are: 1) the general fund shows an expenditure of transfer to the capital project fund; 2) the capital project fund shows a receipt of transfer from general fund. The "Statement of Interfund Transfers--Non-Cemetery Funds" located within the Riley County Budget document must include all interfund transfers.

Following is a list of common transfers:

1. <u>Sales Tax Revenue Pledged for Special Purposes</u>. Permits counties to pledge revenue from local sales tax (in certain instances) which may result in transfers from the general fund to other funds (K.S.A. 12-197).

2. County Utility Fund Transfers. Permits counties to transfer "surplus" money from a utility fund to any other fund. Also permits transfers to a related depreciation reserve fund (K.S.A. 12-825d).

3. Transfers to Capital Improvement Fund. Permits counties to transfer money from any fund able to make the improvement to a multi-year capital improvement fund (K.S.A. 19-120).

4. Transfers to Rural Fire District Capital Outlay Fund. Permits governing bodies of rural fire districts to transfer funds from the fire district general fund to a capital outlay fund for the acquisition of fire-fighting equipment, apparatus or machinery or land and buildings to be used for fire-fighting purposes (K.S.A. 19-3612c).

INTERFUND TRANSFER PROCEDURE:

1. The Originator will complete the **Transfer Form** and must be the person responsible for the fund the money is being transferred out of or their designee.

2. If the transfer is not a budgeted transfer, the corresponding minutes from the BOCC meeting indicating the approval from the Commission for the transfer must accompany the **Transfer Form**.

3. The department head, Budget & Finance Officer, and the Tax & Accounting Supervisor must sign the **Transfer Form**. The original will be sent to the Tax & Accounting Supervisor for processing

All budgeted transfers need to be submitted to the Tax & Accounting Supervisor within the year the transfer was budgeted.

INVESTMENT OF COUNTY FUNDS -

SCOPE:
This investment policy applies to all financial assets of Riley County made by the Riley County Treasurer in the capacity of the County's Chief Financial Officer. These funds are accounted for in the County's annual financial report.

OBJECTIVES:
Funds of Riley County will be invested in accordance with Kansas Statutes Annotated, these policies, and written administrative procedures. The county's investment portfolio shall be managed in a manner to attain a market rate of return throughout budgetary and economic cycles commensurate with preserving and protecting capital in the overall portfolio. Investments shall be made based on statutory constraints and subject to available designated staffing capabilities. The first objective and priority of the investments is the safety of the investment. The second objective is the liquidity and

availability of the investments at the appropriate time. And the third and final objective is the yield on the investment, which will never take precedence over the safety.

SAFETY:
Safety of principal is the foremost objective of Riley County. Each investment transaction shall seek to first ensure capital losses are avoided, whether they be from securities defaults or erosion of market value.

LIQUIDITY AND MATURITY:
The cash position of Riley County has peaks and valleys during the year which require a portion of the investment portfolio emphasize liquidity. Securities will be purchased with maturities to coincide with the anticipated cash flows of the County with the intent to hold until maturity. Only in very extreme emergencies will they be cashed in prior to maturity.

YIELD:
The investment portfolio of Riley County shall be designated to attain a market-average rate of return through budgetary and economic cycles, taking into account Riley County's investment risk constraints, cash flow characteristics of the portfolio and prudent investment principles.

DELEGATION AND AUTHORITY:
The County Treasurer is designated as investment officer of Riley County and is responsible for investment decisions and activities, under the direction of the BOCC. The County Treasurer shall develop and maintain written administrative procedures for the operation of the investment program, consistent with these policies. In order to optimize total return through an active portfolio management program, resources shall be allocated to the cash management program and this commitment of resources shall include financial and staffing considerations.

PRUDENCE AND ETHICS:
The standard of prudence to be applied by the investment officer shall be the "prudent investor" rule. This rule states: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived and optimum liquidity required for operations of their county government." The prudent investor rule shall be applied in the context of managing the overall portfolio. The investment officer, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided these deviations are reported immediately and appropriate action is taken to control adverse developments.

Officers and employees involved in the investment process shall refrain from personal business activity could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and

investment officials shall disclose to the County Treasurer and BOCC any material financial interests in financial institutions conduct business with Riley County and they shall further disclose any large personal financial/investment positions could be related to the performance of the county's portfolio.

AUTHORIZED INVESTMENTS:
The only authorized investments will be those set forth in the Kansas Statutes Annotated. No public deposit shall be made except in a qualified public depository as established by state laws.

PORTFOLIO COMPOSITION:
Riley County will set no restraints on the composition of the types of investments, as long as the ultimate goal of safety is met. The liquidity and rate of return will be secondary to the safety.

Riley County is empowered by statute and may take the option to place public funds in the following types of deposits:

A. Certificates of Deposit
B. NOW Accounts and Pass Book Savings Accounts
C. Money Market Accounts
D. CDARS

Riley County is empowered by statute and may take the option to place public funds in the following types of investments:

A. U.S. Treasury Instruments
B. Kansas Municipal Investment Pool
C. Bank Trust Departments with Commercial Banks
D. Direct obligations of, or obligations are insured as to principal and interest by the United States or any agency thereof.
E. Obligations and securities of U.S. sponsored enterprises which, under federal law, may be accepted as security for public funds.
F. Repurchase Agreements.

RISK AND DIVERSIFICATION:
Riley County recognizes investment risks can result from issuer defaults or market price changes. Portfolio diversification is employed as a way to control risk. Investment managers are expected to display prudence in the selection of securities, as a way to minimize default risk. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. In the event of default by a specific issuer, the investment manager shall review, and if appropriate, proceed to liquidate securities having comparable risks. To control market price risks, volatile investment instruments shall be avoided, unless specifically approved by the BOCC.

INTERNAL CONTROLS:
The County Treasurer shall establish a system of internal control, which shall be reviewed by an independent auditor. The internal controls shall be designed to prevent

losses of public funds arising from fraud, employee error, third party misrepresentation, unanticipated changes in financial markets, or imprudent actions by employees and officers of Riley County.

RELATIONSHIPS WITH BANKS:
Banks and savings and loan associations seeking to establish eligibility for Riley County shall submit information as requested. No business will be conducted with any financial institution with whom or through whom public entities have sustained losses on investments. Only those financial institutions meeting the qualifications as set forth in the Kansas Statutes Annotated will be eligible.

SAFEKEEPING AND CUSTODY:
It is the goal of Riley County to achieve a risk category 1 rating for all investments as recommended by the Governmental Accounting Standards Board (GASB). This means all securities owned by Riley County must be in the name of Riley County and held by the County or its authorized safekeeping agent.

To protect against potential fraud and embezzlement, the assets of Riley County shall be secured through third-party custody and safekeeping procedures by an institution designated as primary agent. The primary agent shall issue a safekeeping receipt to the county listing the specific instrument, rate of return, maturity and other pertinent information. Deposit-type securities (i.e., Certificates of Deposit) shall be collateralized as required by Kansas law for any amount exceeding FDIC coverage. Other investments shall be collateralized by the actual security held in safekeeping by the primary agent.

Bearer instruments shall be held only through third party institutions. Investment officials shall be bonded to protect the public against possible embezzlement and malfeasance. Collateralized securities such as repurchase agreements shall be purchased using the delivery vs. payment procedure. Unless prevailing practices or economic circumstances dictate otherwise, ownership shall be protected through third party custodial safekeeping. Safekeeping procedures shall be reviewed by the independent auditor.

MASTER REPURCHASE AGREEMENTS:
Riley County requires Master Repurchase Agreements be signed by both parties and in place before entering into a repurchase agreement with any financial institutions.

BID REQUIREMENTS:
Qualified institutions shall include all financial institutions within the county approved by the BOCC in their annual designation of the official depositories. Financial institutions shall provide their most recent financial statement upon request by the county. The county will periodically conduct an evaluation of each bank's status to determine whether it should continue to be included on the list of "Official Depositories."

Every five years, or as the County Treasurer deems necessary, Riley County will receive proposals from local financial institutions for the purpose of administering the County's checking accounts.

PERFORMANCE EVALUATION AND OPERATIONS AUDIT:
Investment officials shall recognize the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism worthy of public trust. Investment officials shall avoid any transaction might impair public confidence in Riley County's ability to govern effectively.

CHAPTER 5 – RISK MANAGEMENT

OVERVIEW –

The primary purpose of this chapter in the Financial Policies and Procedures Manual is to provide department heads with an educational resource for implementing the principles of risk management into the daily operations of their department. The key goal is to bring risk management issues to a heightened degree of awareness.

Risk management is a very broad and far reaching organizational function. It may encompass as much or as little of the County's daily operations as the Board of County Commissioners (BOCC) deems necessary. Risk management should not be viewed as an additional requirement to one's job, but as a tool to facilitate how existing functions are carried out. Department heads who integrate the principles of risk management within their existing operations may gain several benefits. The Public Entity Risk Institute (PERI, www.riskinstitute.org) offers a detailed list of possible benefits by bringing risk management considerations into the overall management of an organization. They are:

1. Improved long term management –
    a. assists in making better choices of what you want your department to accomplish;
    b. provides a greater ability to achieve realistically set goals;

2. Improved day-to-day management –
    a. helps improve delivery of local services;
    b. minimizes time spent dealing with the consequences of risks;
    c. assists in identification, analysis, control, and monitoring of risks (primarily through awareness);

3. Improved financial management –
    a. facilitates a more informed, financial decision making process on investments, insurance needs, and cost/benefit analysis;
    b. provides better control of financial assets as a result of identifying, analyzing, controlling, and monitoring risks;
    c. helps reduce financial costs associated with losses;
    d. reduced insurance premiums;

4. Improved services –
    a. Less service disruption to customers and a positive external image;

MISSION STATEMENT –

Riley County recognizes its responsibility to manage public funds in a diligent manner, consistent with the highest public expectations, and this fiduciary responsibility includes identifying, addressing, and appropriately managing risk. These risks affect the safety

and well-being of employees and citizens, the county's financial stability, and the county's ability to provide services citizens demand. This requires cooperation from elected and appointed county officials to manage risk to Riley County.

GOALS –

The Riley County Budget & Planning Committee is responsible for providing information and resources to department heads and the BOCC on general risk management issues including fraud for Riley County when requested, and providing information and recommendations to the BOCC. The Budget & Planning Committee is also responsible for the development and maintenance of the risk management program.

The goals of this risk management program shall be to:

1. Serve as a resource to department heads during the decision-making process and increase awareness of potential risks affecting county operations;

2. Provide a written procedure for reporting and documenting events should a claim occur;

3. Provide an avenue of communication for addressing risks to Riley County among affected county officials, as these risks rarely have an effect on only one area of operation;

4. Identify and assess risks as they arise, in order to minimize any potential impact on county assets;

5. Provide an opportunity to select and recommend implementation of risk financing measures which include avoidance (elimination) of risk, reduction (controlling) of risk, retaining (self-insuring) of risk, transferring (insuring) of risk, or sharing (pooling) of risk;

6. Provide an opportunity to review risk financing measures to reassess whether another, more financially beneficial option of controlling risk is available to the county;

FRAUD –

The County shall not tolerate any type of fraud or theft, including but not limited to such action benefiting the County. Failure to comply shall subject any employee to disciplinary action including immediate termination.

Fraud is defined as an intentional deception designed to obtain a benefit or advantage or to cause some benefit which would otherwise be denied. **Theft** is defined as the act of taking something unlawfully.

Some examples of fraud or theft include:

- Forgery or alteration of a check, bank draft, or any other financial document;
- Stealing of cash, a check or other diversion of a taxpayer payment;
- Misappropriation of funds, securities, supplies or other assets;
- Impropriety in the handling or reporting of money or financial transactions;
- Profiteering as a result of insider knowledge of county operations;
- An employee with access to confidential taxpayer information who sells this information or uses it to conduct outside business activities;
- Falsifying records leading someone to rely on such record to approve expenditures not otherwise approved.

Fraud may also include abuse.

Abuse is the intentional, wrongful, or grossly improper use of resources or misuse of rank, position, or authority causing the loss or misuse of resources, such as tools, vehicles, computers, copy machines, etc. An example of abuse includes unauthorized use of County equipment, supplies or labor.

RESOURCES –

The field of risk management generally recognizes four (4) categories/areas of exposure where entities will likely experience liability and/or loss which may be affected by moral responsibility addressing the ethical aspects of risk management. They are: physical assets, financial assets, personnel and legal liabilities.

Resource Number 1. Physical Assets - There are several ways to view physical assets from a risk standpoint. They can be broadly defined as either real property or personal property. Real assets are basically land and buildings affixed to the land. Personal property is everything else (vehicles and equipment, tools, supplies, technology, office equipment, etc.) Another consideration is whether the asset is intended to be mobile or not. Physical assets meant to be moved from one location to another are generally considered higher risk than non-mobile physical assets. "Cause-of-loss" should also be considered. Assets susceptible to many causes of loss may be considered higher risk than those assets open to one or two types of loss.

It is important each department understands where your assets lie and how they are classified. If you have any questions concerning how these assets are covered in terms of insurance, please contact the Budget & Finance Officer.

Resource Number 2. Financial Assets - There are multiple checks and balances, financial policies (as described in previous chapters), and insurance policies in place to protect the county from loss due to theft, embezzlement, fire, etc. However, inflation, creditworthiness, interest rates, etc. cannot be insured against and therefore must be diligently reviewed and considered in order to protect the county's financial assets. Questions regarding the proper management of county funds should be directed to the County Treasurer (or their designee). Additionally, chapters 1 through 4 provide policy directives.

Resource Number 3. Personnel - Of the 4 areas of risk exposure to the county, the exposures posed by personnel are probably the greatest because employees can affect (positively or negatively) all other risk exposure areas, in addition to being an exposure themselves. Personnel policies are in place to guide the department head in managing their personnel. Insurance is in place to protect the county against risks arising out of personnel administration. Worker's compensation insurance protects employees who are injured on the job. The county also provides benefits to county employees. Some of these benefits are payable by the county, others are paid by the employee. Questions regarding personnel policies and benefits should be directed to the Human Resource Manager in the County Clerk's Office.

Resource Number 4. Legal Liabilities - Liability exists for the county in all aspects of county operations. Premises liability is likely the broadest and most common source of liability the county faces. Possible liabilities arise because visitors have an expectation of safety and accessibility to these public facilities. The public also expects the county to provide for safe roads and bridges, police, fire, EMS protection, and many other "core" and "non-core" governmental functions. Professionals hired outside the organization are required to carry their own professional liability insurance. . Further liability may arise out of the passage of laws by the BOCC, employment practices, workplace environment, the operating of motor vehicles and equipment, or the failure to enforce contracts and agreements.

Moral responsibility addresses the ethical aspects of risk management and may individually affect each of the first four resources. In addition, certain aspects of these four exposure areas may be related to one another. Improperly addressing one exposure may compound risk in another exposure. Awareness is the first step in successfully protecting the county against each of these four exposures. The responsibility of ensuring these risks are identified and addressed lies with the managing department heads, with risk management oversight being performed by the BOCC.

RISK MANAGEMENT COMMUNICATION –

Risk Management Communication makes a distinction between procedures for communication of risks in hazardous situations and procedures for communication of losses once they have occurred.

Because the department head is responsible for knowing the risks in their areas and having a plan of detection, each department head is encouraged to establish their own reporting procedures for departmental employees. This needs to encompass anything posing a risk to other people and/or property within their control. This may include reporting unsafe conditions of county-owned property (buildings, sidewalks, handrails, roads, etc.), unsafe working conditions and/or practices, improper handling of funds, poorly maintained equipment, etc. It will be the responsibility of the department head or their designee to review these concerns and make an assessment of the risk.

In the event a loss occurs, all documentation regarding the loss shall pass through the Budget & Finance Officer in order to coordinate the claims management process efficiently. The Budget & Finance Officer shall then review any documentation with the appropriate department head(s) as necessary, and in the event legal issues arise, the County Counselor shall then assume primary responsibility for coordinating all matters regarding the claim. For the purposes of this policy, a loss is defined as damage, injury or theft of property or person(s) (excluding Workers' Compensation claims) requiring the involvement of the county's insurance companies.

Subject to all exceptions within the Riley County Procurement Code, all contracts naming Riley County as a party to the contract shall be approved by the BOCC. Before presenting a contract to the BOCC for approval, the contract must first be reviewed by the County Counselor, who shall make a recommendation as to the legality, by signing it "approved as to form," if the terms of the contract appear to be legal. In order to allow the County Counselor sufficient time to review the contract, the department presenting the contract shall contact the County Counselor prior to placing any contract on the Commission agenda. The department head is responsible for relaying any applicable timelines for contract approval to the County Counselor.

All contracts approved by the BOCC shall subsequently be copied and sent to the County Counselor's Office and the County Clerk's Office so dual-tracking occurs to ensure the terms of the contract are followed by both parties. However, the responsibility of ensuring the terms of the contract are met lies with the managing department. It is also the responsibility of the managing department to notify the BOCC if the department discovers the terms of the contract are not being followed.

RISK IDENTIFICATION & ASSESSMENT –

As mentioned above, risks can arise from four categories of exposure. More specifically, these exposures can be classified into one of twelve generally accepted classifications of risks:

1. Natural Hazards
2. Contracts & Legal Arrangements
3. Financial Operations
4. Misconduct by Public Officials & Employees
5. Acts/Omissions by Third Parties
6. State/Federal Laws/Regulations
7. Economic Conditions
8. Govt. Activities/Services
9. Loss of Outside Resources
10. Property Loss
11. Use of Technology
12. Workforce

The Budget & Finance Officer has specific examples of losses under these categories as well as worksheets for each of these areas which will guide department heads through the process of identifying losses, estimating their frequency & severity, and identifying strategies to address the risk.

Each of these areas will affect departments differently. Each department head is encouraged to review and assess these areas periodically and determine the risks these categories present to them, and develop plans to address the exposure(s).

Assessment of the identified risk shall include both an assessment of the potential frequency of the loss as well as the potential severity of the loss. Frequency refers to how often the loss will occur while severity refers to the amount and impact of the loss on the county's operations. Severity includes the pure dollar costs of the loss but can also include lost time, productivity, etc.

Estimates are important because they provide department heads with the basis by which to evaluate a potential loss from one of the 12 areas of risk (enumerated above). Obtaining a mathematically precise number is not as important as accurately defining a potential risk as either "high" or "low". For example, if you compare Riley County against a more rural county in Kansas, the definition of "high frequency of auto accidents" will be considerably different because Riley County owns many more vehicles and employs several more employees than a largely rural county. In terms of pure dollar losses (the cost to replace the vehicle), severity would be quite similar. Adding soft costs such as productivity losses however, the difference in severity becomes nearly as wide as the difference between the two frequency classifications.

The department head shall develop a plan to control the risk if an exposure is identified as high frequency/high severity. In the event an exposure is deemed to be one of high frequency/low severity or low frequency/high severity, the department head will be responsible in determining what type of plan is necessary to control the risk. The Budget & Planning Committee will be available if the department head wishes to discuss the risks. If an exposure with low frequency/low severity is identified, the department head will determine if a plan can be developed to address the exposure.

RISK FINANCING & REVIEW –

There are five options to control the above defined risks. The Budget & Planning Committee is responsible for assessing all exposures/risks presented and considering the best options for controlling these risks. The Budget & Planning Committee, in consultation with the affected department head will make recommendations to the BOCC on controlling these risks. The BOCC is ultimately responsible for determining the county's tolerance for risk of each exposure and this determination is generally made on a case-by-case basis.

Option Number 1. Risk Avoidance – Avoiding the activity giving rise to risk is the only guaranteed option to prevent a loss. Unfortunately, avoiding some risks leads to others and the types of activities governments provide are simply unavoidable. Therefore, it is rare risk avoidance would be a viable solution to the county.

Option Number 2. Risk Reduction – Risk reduction measures involve several managerial techniques including employee training/education, regular vehicle maintenance/repair, policies requiring employees to wear personal protective equipment, installation of ergonomically correct workstations, installation of smoke detectors, burglar alarms, or emergency response procedures. Additionally, separation (storing items of value in separate locations to the extent possible) and duplication (backing up computer files and maintaining separate and duplicate hard copy files to the extent possible) are two common loss reduction techniques the county utilizes. A key element of risk is its uncertainty. However, with information technology, informed decisions can be made more quickly. Utilizing technology and anything else to minimize the chance of loss occurring can be categorized as a risk reduction measure. It is important to note none of these measures will prevent loss, but all of them may minimize it.

Option Number 3. Risk Transfer – Transferring risk is not risk avoidance. The most common type of risk transfer the county practices is to purchase insurance coverage. Premiums paid for the coverage received is a form of risk transfer. The county is paying another entity to assume the risk of loss beyond a certain point – the deductible. The Budget & Finance Officer is responsible for managing all county insurance policies and reviewing them annually. Additionally, the county transfers risk through contracts for services from outside vendors. When this is done, certificates of insurance covering the vendor are required as evidence the vendor has proper coverage to protect themselves and the county.

Option Number 4. Risk Retention – There are two forms of retention - planned and unplanned. Planned retention involves situations where the county has identified a risk, but due to the low risk/low severity, has chosen not to insure against a loss associated with the risk. An example is the policy to carry liability insurance on vehicles with values below $15,000. The cost to provide full coverage to all vehicles regardless of value exceeds the benefits received, so the county has elected to retain the risk of loss on older vehicles with a low market value. Unplanned retention refers to unforeseen and uninsured situations.

Option Number 5. Risk Sharing – Sharing in risk is typically done through a pooling arrangement with other similar entities. Riley County does not participate in any group-funded pools.[2]

[2] Additional information on risk financing and related matters can be found in: "Limiting Small Town Liability: A Risk Management Primer for Small Town Leaders". Compiled by the National Center for Small Communities and published at: www.riskinstitute.org.

CHAPTER 6 – ECONOMIC DEVELOPMENT

INTRODUCTION & PURPOSE –

This chapter of the Riley County Financial Policies & Procedures is established to provide the Board of County Commission (BOCC) and staff with direction and guidelines for evaluating economic development proposals equitably and to protect public funds. It is also established to provide the general public with information on the economic development tools Riley County may utilize to facilitate economic development. It will help the public understand the process by which a proposal is analyzed, and to facilitate an efficient application and review process for those interested in requesting economic development assistance from Riley County.

The evaluation of economic development proposals shall be conducted with consideration given to state statute(s) governing the general use of public funds applicable to the BOCC. Consideration will also be given to any statutory authority afforded the County to use specific economic development tools as outlined herein to facilitate economic development.

All economic development proposals will be reviewed by the Budget & Planning Committee based on the information provided prior to presenting to the BOCC. The goal of protecting public funds shall be considered primary. This goal will be balanced with the County's objective of creating jobs, increasing the tax base, growing the population, and improving the general well-being of the citizens of Riley County.

This chapter is organized to give interested parties a guideline on how to proceed with a request to the BOCC for economic development assistance. The first section describes the basic tools the BOCC has at its disposal to facilitate economic development. The second section provides the base criteria the BOCC and county staff will apply to any application. The third section explains the application along with corresponding addendums and review process county staff will follow.

It is important to remember Riley County will rarely be the initiating entity on economic development. In most cases, businesses seeking economic development assistance should begin with the city in which they wish to locate and explore development options with the city. At some point, the county may be required (by state law or otherwise) to take certain actions on city-initiated economic development proposals. To the extent it is possible, this policy will also be applied in these circumstances. Lastly, it is the responsibility of the developer and/or business seeking economic development assistance to ensure the project for which they are seeking assistance conforms to all applicable planning and zoning requirements prior to the finalization of the economic development agreement.

TYPES OF TOOLS AVAILABLE –

Several economic development tools are available to Riley County. These include (authority cited in parentheses):

1. Cash Incentives (KSA 19-101a, 19-4101, and County Resolution 111402-115);

2. Conditional Economic Development Reimbursement Agreements

3. Infrastructure development for areas immediately outside of the corporate city limits of any city in Riley County (KSA 19-101a, 19-4101, and County Resolution 111402-115);

4. Establishment of Benefit and/or Improvement Districts in unincorporated areas of Riley County (statutes vary based on purpose of the district);

5. Tax exemptions and/or abatements (KSA 79-251, Kansas Constitution, Article 11 Section 13, and county resolution 091897-44);

6. Transportation Development Districts (KSA Supp. 12-17,140 et seq);

7. Industrial Revenue Bonds (KSA 12-1740 et seq);

Additional details and guidance on the use of these tools is provided below. These sections are not intended to provide any legal advice on how to proceed with a request for the use of these economic development tools. However, County staff will assist anyone interested in economic development in Riley County to understand the process and this policy.

BASIC REQUIREMENTS –

The basic requirements any economic development assistance request must meet include:

1. A demonstrated positive return on investment from the use of economic development assistance. Analyzing the return on investment will include projections on job creation and wages paid, increases to the tax base, population growth, and improved quality of life to the citizens of Riley County.

2. The assistance shall not be deemed a "speculative use" of public funds. "Speculative use" shall be defined as any analysis requiring staff to adjust estimates used to calculate a return on investment to encourage a positive recommendation by staff to the BOCC.

3. Requests for assistance on projects within the corporate city limits of any city in Riley County shall first be presented and approved by the city's governing body. All documentation provided to a city for consideration of an economic development request shall be provided to Riley County. All analysis performed by the staff of any city shall also be provided to Riley County. The recommendation(s) of city staff and the decision of the governing body shall be taken into account when county staff formulates its recommendation to the BOCC.

4. Any request for the use of a specific tool listed above shall also conform to each tool's specific policy requirements listed below.

POLICY ON CASH INCENTIVES –

Riley County will not provide cash incentives for any business to locate within the county. Riley County will also not provide cash incentives to perform feasibility studies for proposed projects. These are deemed improper uses of county tax dollars by the BOCC and any request for such cash assistance will be rejected.

POLICY ON CONDITIONAL ECONOMIC DEVELOPMENT REIMBURSEMENT AGREEMENTS --

The county may use Conditional Economic Development Reimbursement Agreements. A reimbursement agreement allows the county to pledge a prospective business' county tax payments to be returned to the taxpayer in return for certain conditions being met by the business. The business, upon providing evidence verified by the County Clerk's office the conditions set forth in the contract have been met (i.e. number of jobs pledged are in fact created and at wages provided for in the contract) and upon providing a copy of their paid property tax receipt from the County Treasurer's office, will receive a reimbursement from the county for the county's portion of their property taxes. The amount of eligibility for a reimbursement agreement will vary based on the pledges made by the business and their ability to fulfill the county's economic development goals.

POLICY ON INFRASTRUCTURE DEVELOPMENT –

Riley County may facilitate, when appropriate, the development of public infrastructures immediately outside the corporate limits of any city in Riley County. Whenever the total costs of the public infrastructure can be tied to a fixed and known group of benefiting properties, special assessments may be levied and placed on the tax rolls for those properties.

Whenever the total costs of the public infrastructure cannot be tied to a fixed and known group of benefiting properties (i.e. raw land identified as developable, but not yet platted

or subdivided) the county may finance the development of this infrastructure to encourage growth in the area. The BOCC may, at its discretion, choose to recover the costs of sewer and water infrastructure through connection fees and user charges.

POLICY ON BENEFIT DISTRICTS –

Introduction and Purpose: Riley County promotes well-planned development, which is taxpayer-efficient and provides a high quality of life for present and future citizens of the County. To assist in the proper development of the County, under state law, the County may utilize benefit districts for financing or for providing operation and maintenance of improvements in developments.

Improvements in developments eligible for assistance under a benefit district include, but are not limited to:

- Sewer systems;
- Water systems; and
- Roads or streets.

These improvements may be constructed in either an existing subdivision or in a new undeveloped subdivision.

Procedure:

To facilitate the benefit district process, the following procedure has been established. All required information must be presented and prepared at the expense of the person or persons desiring the benefit district.

Step 1: Provide for the preparation of preliminary plans and preliminary cost estimates for the improvements by a licensed engineer in the State of Kansas.

Step 2: Present preliminary plans and preliminary cost estimates to the Director of Planning & Development. If the requested improvements are within a new undeveloped subdivision, the following items shall also be submitted (otherwise skip to **STEP 3**):

A. A professional market analysis and/or feasibility study showing the demand for the type of housing proposed to be constructed, the number of housing units of each type proposed, estimated final cost of the house and lot, etc. and a detailed explanation of the developer's plan for marketing the product and why the developer believes the product will be marketable in the location selected and at the estimated price of the product;

B. A list of all partners, investors or any other person or entity with a financial interest in the proposed development. The developer must supply Riley County

with sufficient identifying information so Riley County may conduct reference checks.

C. A list of all development projects in which the developer and any partners have been involved in the past five (5) years and, for each separate development project, the name of a local government official familiar with each project and their contact information (including phone number and mailing address);

D. A financing plan for the project. Within thirty (30) days following the signing of the resolution forming the benefit district, the developer shall provide the County with an irrevocable letter of credit (LOC) from a State of Kansas chartered bank (preferably with a branch in Riley County) in an amount equal to 100% of the costs of the public infrastructure identified above. The LOC shall be in a form approved by the BOCC. The LOC will be released when the developer has completed and sold 60% of the total number of approved homes in the development and further provided there are no delinquent special assessments for any of the properties in the district.

The Director of Planning & Development shall arrange for a meeting with appropriate Riley County staff to provide assistance to the person or persons requesting the benefit district with regard to the process and timetable for approval, the distribution of costs, any zoning/platting issues and the preparation of a valid petition in accordance with the applicable state statutes.

Step 3: Legal Council prepares the petition, obtains the required signatures and files the petition with the Riley County Clerk after verification of required square footage. The petition shall be accompanied by a non-refundable, $2,000 fee to cover County expenditures associated with processing the petition.

Step 4: The County Clerk shall determine whether or not the petition is valid in accordance with state statutes.

Step 5: The Budget & Planning Committee shall review the petition/supporting documentation and submit a recommendation to the BOCC.

Step 6: The petition is scheduled for a public hearing with proper notice in accordance with state statutes.

Step 7: The BOCC shall conduct a public hearing to consider the petition. In considering approval or denial of the petition, the BOCC shall analyze the request using, but shall not be limited to, the factors listed below. It is the responsibility of the petitioner to provide sufficient information to the BOCC to address these factors:

1. Population and population density of the area within the boundaries;
2. Land area, topography, natural boundaries and drainage basin;

3. Area of platted land relative to unplatted land and assessed value of platted land relative to assessed value of unplatted areas;
4. Extent of residential, business, commercial and industrial development;
5. Past expansion in terms of population and construction;
6. Likelihood of significant growth in the area, and in adjacent areas, during the next 10 years;
7. The present cost and adequacy of governmental services and controls in the area and the probable effect of the proposed action, and of alternative courses of action, on the cost and adequacy of local governmental services and regulation of the area and in adjacent areas;
8. The need for the public improvements in the proposed district and whether the issuance of bonds therefore would unduly require the speculative use of public funds; and
9. Effect of the proposed action, and of alternative actions, on adjacent areas and on the local governmental structure of the general area.

If the territory or any part thereof is within five miles of an existing city, the Board shall also take into consideration, but shall not be limited too, the following:

1. The size and population of such city;
2. The city's growth in population, business and industry during the past 10 years;
3. The extension of its boundaries during the past 10 years;
4. The probability of its growth toward the territory during the ensuing 10 years, taking into consideration natural barriers and other reasons which might influence growth toward the territory;
5. The willingness of the city to annex the territory and its ability to provide city services in case of annexation;
6. The general effect upon the entire community;

All of these and other considerations having to do with the overall orderly and economic development of the area and to prevent an unreasonable multiplicity of independent municipal and special district governments.

Step 8: The BOCC shall decide whether or not to form the benefit district. If approved, the BOCC shall sign a resolution forming the benefit district.

Step 9: The BOCC shall conduct a public hearing to determine assessment method and apportionment:

A. State law governs the method of assessment and apportionment of cost available for benefit districts. (See K.S.A. 68-728, K.S.A. 12-606, K.S.A. 12-608, K.S.A. 2011 Supp. 12-6a04, K.S.A. 2011 Supp. 6a08, K.S.A. 12-6a09, K.S.A. 12-6a10, and K.S.A. 12-6all)

    1. Riley County's goal is the apportionment of final costs in any benefit district is reasonably imposed. The typical methods of assessment and

apportionment are "per lot" and "per owner." Individual plats, replats and subdivisions of a benefit district property which are undertaken or finalized before the BOCC determines the method of assessment and apportionment of final costs can create unequal shares of cost for the other benefit district property owners.

2. Riley County intends for the plat, replat or subdivision process to impose substantially equal burdens or share of costs upon the property within the benefit district. For a plat, replat or subdivision of benefit district property to affect the assessment method, the application shall be filed before the date of Public Works' notice letter scheduling the benefit district's property owners meeting and shall be completed before the benefit district assessment information is provided to the County Financial Advisor. Any plat, replat or subdivision which does not meet these requirements shall be ineffective and the district property shall be assessed as originally platted.

B. The BOCC requires any petition submitted includes petitioner's recommendation as to the method of assessment and apportionment. At the public assessment hearing, the BOCC retains sole authority to make the final determination of the method of assessment, apportionment of costs and the efficacy of any plat, replat or subdivision.

POLICY ON TAX EXEMPTIONS AND/OR ABATEMENTS –

This policy was first adopted by the Board of Commissioners of Riley County on September 18, 1997 (Resolution number: 091897-44).

Background: On August 5, 1986 Kansas voters approved a constitutional amendment which authorizes tax abatement and exemptions for purposes of economic development. The constitutional amendment permits counties and cities to exempt from property taxes all or any part of buildings, land and tangible personal property used by new business exclusively for manufacturing, research and development, or the storing of goods traded in interstate commerce. An exemption/abatement may also be granted for existing buildings or new expansions to existing buildings, the land, and associated new personal property of these same purposes to facilitate the expansion of an existing business if new employment is created. The exemption/abatement may extend for up to 10 years.

Purpose:

The two primary objectives of Riley County in granting tax exemptions/abatements for economic development aim to provide needed jobs and expand the economic tax base of the County. It is the policy (Resolution 091897-44) of the County private businesses should not be subsidized with public funds (the indirect consequences of tax exemption incentives) unless the public benefits exceed the costs, as determined by the BOCC. The purpose of the policy is to establish standards for considering property tax exemption/abatement requests. In addition, the BOCC has recognized the need for the

responsible application of economic development abatements, because of the potential impact on the taxing authority of other units of government.

While each request for a tax exemption/abatement must be considered on its own merits, the BOCC recognizes the need and desirability of a policy statement outlining its general attitude toward such requests. This statement is intended to provide a guide to the BOCC's position regarding tax exemptions/abatements for eligible businesses considering relocation or expansion and to organizations in Riley County concerned with promoting economic development.

General Abatement Definitions:

1. For the purpose of this policy, the following definitions shall apply:

"Abatement"" refers to a partial reduction of property taxes for the applicant's business.

"Applicant"" shall mean and include the business, property owner or owners, and their officers, employees and agents.

"Associated therewith" as used with respect to tangible personal property shall mean being located within, upon or adjacent to buildings or added improvements to buildings.

"Commenced operations"" shall mean the start of the business activity housed in the building for which a tax exemption incentive is requested.

"Cost-benefit model" is the mathematical calculations used to determine, in accordance with the State Constitution, the benefits of a tax exemption/abatement proposal and its impacts on all affected taxing subdivisions. The cost-benefit model Riley County will utilize is provided by the City of Manhattan.

"Economic development purposes" shall mean the establishment of a new business, the expansion of an existing business engaged in manufacturing articles of commerce, conducting research and development, or storing goods or commodities which are sold or traded in interstate commerce, which results in additional employment.

"Exemption" refers to a 100% reduction of property taxes for the applicant firm.

"Expansion" shall mean the enlargement of a building or construction of a new building, the addition of tangible personal property, or any combination thereof, which increases the employment capacity of a business eligible for a tax exemption incentive and which results in the certainty of new employment.

"Manufacturing articles of commerce" shall mean a business engaged in the mechanical or chemical transformation of materials or substances into new projects, as defined the North American Industry Classification System (NAICS) Manual.

"Research and development" shall mean the application of science or technology to the improvement of either the process of manufacturing or manufactured products or both.

"Storing goods or commodities which are sold or traded in interstate commerce" shall refer to the business of storing property which may be exempt from ad valorem taxation under the provisions of K.S.A. 79-201(f).

"Tangible personal property" shall mean machinery and equipment used during the term of the tax exemption which may be granted.

Policy:

Only those businesses which qualify under current Kansas law will be eligible for an exemption/abatement. In general, this applies only to manufacturing, research and development, and interstate warehousing businesses. In order to be eligible, a business must create jobs and make a capital investment in new construction. A business must meet a 10% minimum abatement threshold, based on the cost-benefit model.

Special Assessments are not eligible for exemption.

Exemptions/abatements for businesses competing directly with existing businesses will not be encouraged unless the competing businesses have received or been offered similar incentives or unless there is a substantial overriding benefit to the County as a whole.

The period of exemption/abatement shall not exceed 10 years.

The County may consider granting property tax exemptions/abatements only upon a clear and factual showing of a positive, new public benefit through the advancement of its economic development goals, including the creation of quality jobs and the stimulation of additional private investment. The BOCC in determining the amount and term of a tax exemption/abatement to be granted, may consider various factors including, but not limited to the following in regard to the cost-benefit analysis:

1. What the net benefit to the city, county, and school district is expected to be, for not more than 10 years.

2. The length of time it takes for the net benefits to equal the amount of property taxes abated for the city, county, and school district.

3. The length of time it takes for the total benefits to equal total costs for the city, county, and school district.

The BOCC reserves the right to grant, or not grant a tax exemption/abatement under circumstances beyond the scope of this policy. However, no such action or waiver shall be taken or made except upon a finding by the BOCC where a compelling or imperative reason exists and is declared to be in the public interest.

No exemption/abatement granted by the County shall be transferred as a result of a change in the majority ownership of the business. Any new owner shall file a new application for tax abatement. Further, the County shall be notified by the business, of any substantive change in the use of a tax exempt property. The BOCC must make a finding the exemption/abatement for personal property is necessary in order to retain jobs in Kansas.

Procedures:

All businesses interested in applying for a property tax exemption/abatement shall complete an application form and submit the required information to the Riley County Clerk. All information submitted to the County must be verifiable.

The County will perform a cost-benefit analysis using the requested property tax exemption/abatement level and term.

The BOCC may issue a letter of intent, setting forth in general terms a proposed plan for granting a property tax exemption/abatement and any conditions thereto. This letter will serve as an expression of good faith intent, but shall not in any way bind the County to the granting of an exemption/abatement. Letters of intent will only be considered if the eligible business has made proper application. Such letters of intent shall expire six months after issuance, but may be renewed.

Prior to the granting of any initial tax exemption/abatement, the BOCC shall hold a public hearing on the granting of such exemption/abatement. Notice of the public hearing shall be published at least once seven days prior to the hearing in the official county newspaper and shall indicate the purpose, time and place of the public hearing. In addition to the public hearing notice, the County Clerk shall notify in writing, the appropriate governing bodies about the public hearing and the proposed property tax abatement/exemption as early as possible, and provide them with a copy of the cost-benefit analysis and all background materials.

The governing body of the City and School District will be encouraged to provide input to the County regarding the impact of the proposed exemption/abatement on the property tax base as well as other issues.

After the public hearing the BOCC shall find for or against the exemption/abatement, and if favorable, adopt a resolution specifying the percentage of abatement each year and the length of the abatement.

The County Clerk will submit all necessary documentation to the County Appraiser's office. The owner(s) of the business will also complete the forms prescribed by the State Director of Property Valuation.

After the first year of exemption/abatement the BOCC will review actual payroll,

investment, construction, firm, and visitor numbers and then perform another cost-benefit analysis. If the numbers do not support the original abatement, then another resolution will be adopted with the new abatement percentages. In no case will the abatement percent or term be increased as a result of this new analysis. The County Clerk will certify the new abatement percentages in a resolution to the County Appraiser.

Exemptions/abatements will be reviewed annually by the BOCC. By January 1 of each year, all owner(s) of the property which has been exempted/abated shall present to the County Clerk all necessary information so the BOCC can calculate an updated exemption/abatement percentage, using the cost-benefit model.

The County Clerk shall supply a written statement to the owner(s) by February 1 of each year stating the property does or does not continue to meet the terms and conditions of the exemption. In the event the owner(s) do not continue to meet the terms and conditions of the exemption/abatement, the abatement will be lowered or discontinued by the BOCC. Any change in the abatement percentage will require a resolution change.

By March 1 of each year if the owner(s) continue to meet the terms and conditions of the exemption/abatement, the owner(s) shall claim such exemption by submitting forms prescribed by the State Director of Property Valuation along with the County Clerk's report to the County Appraiser's office.

POLICY ON TRANSPORTATION DEVELOPMENT DISTRICTS –

A transportation development district (TDD, cited KSA 12-17,140 through 12-17,149) may be formed by the BOCC for the purpose of constructing public infrastructure. The monies used to pay for this infrastructure are generated from a transportation development district sales tax which is in addition to any sales taxes authorized under KSA 12-187 through 12-197. Bonds issued in accordance with the TDD statutes are not general obligations of Riley County.

The BOCC may establish a transportation development district (TDD) upon the receipt of a petition containing information on:

1. The general nature of the proposed project;
2. The maximum cost of the project;
3. The proposed method of financing the project;
4. The proposed amount and method of assessment;
5. The proposed amount of TDD sales tax;
6. A map or boundary description of the proposed district;

This petition shall be signed by the owners of all of the land within the proposed district. Upon the receipt of this petition, county staff will review the proposal in its entirety to ensure the proposal is fiscally sound and meets all public infrastructure standards. Staff

will then provide a recommendation to the BOCC whom shall approve or deny the proposal.

POLICY ON INDUSTRIAL REVENUE BONDS –

Riley County's primary goal when considering the issuance of industrial revenue bonds (IRB's) shall be to encourage economic growth in the unincorporated areas of Riley County. Industrial revenue bonds are not considered a debt of Riley County; rather they are debts of the business/organization utilizing the bond proceeds. The county is merely a conduit for the business/organization to obtain tax-exempt financing for its project.

Industrial revenue bonds will not be utilized when it is determined doing so would give the recipient an unfair advantage over a business or organization currently engaged in a similar venture within the county.

When considering a request for IRB's, county staff will evaluate the types of jobs proposed to be created, the amount of capital investment made, and the ability of the business to meet a recognized need in Riley County's economic base. Upon review and consideration of these factors, county staff will make a recommendation to the BOCC, whom shall approve or deny the request. In the event the BOCC approves the request to issue IRB's, the Budget & Finance Officer shall contact the county's bond counsel and begin the process of issuing the bonds.

APPLICATION REVIEW AND ASSESSMENT PROCESS –

When a request is made directly to the BOCC to utilize one of these economic development tools, various county staff members will be involved in reviewing the applicant's materials as provided in the "General Economic Development Assistance Application" along with the appropriate application addendum. These applications may be obtained in the County Clerk's Office on the Riley County website under the Budget & Finance tab or at the Manhattan Area Chamber of Commerce. All requests for assistance must include this application and the application addendum as well as any specific requirements unique to the form of assistance being sought. Each type of the Economic Development tool available has a corresponding application addendum to be completed as indicated below:

1. Cash Incentives – Economic Development Funding Addendum.
2. Infrastructure development for areas immediately outside of the corporate city limits of any city in Riley County – Economic Development Funding Addendum.
3. Tax exemptions and/or abatements – Property Tax Abatement Addendum.
4. Industrial Revenue Bonds – Industrial Revenue Bond Application Addendum.

5. Establishment of Benefit and/or Improvement Districts in unincorporated areas of Riley County – No application addendum.
6. Transportation Development Districts – requires a petition and no application or addendum.

County staff will review (upon receipt of all required materials) the information and formulate a recommendation to the BOCC as to the viability of the proposal based on the economic development goals of Riley County and any special considerations required to be given either in this policy or in state statute.

If the request is submitted to an incorporated city within Riley County, all materials required to be submitted to the city shall also be provided to the county. In the event the city to which the applicant is making a request for economic development assistance has no formal application process in place, then the applicant shall complete and submit all necessary materials to Riley County as required by this policy.

In the event staff recommends to the BOCC, acceptance of an application for assistance and in the event the BOCC agree "in principle" with the staff's recommendation, an Economic Development Assistance Agreement will be drafted. This agreement will describe the obligations of both parties. It will also detail any performance measures the recipient of county economic development assistance must meet and "clawback" provisions in the event these performance measures are not met. These clawback provisions are intended to indemnify the county in the event the recipient does not meet its obligations under the Economic Development Assistance Agreement. Clawback provisions can include (but not be limited to) a requirement to provide the county with a letter of credit, performance bond, or ownership of any asset county economic development assistance was used to purchase.