



GEARY COUNTY
KANSAS

**COMPREHENSIVE
FINANCIAL
MANAGEMENT
POLICY**

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Table of Contents

Policy I. Fund Balance and Reserves	4
Policy II. Budgeting	5
Policy III. Debt Management.....	8
Policy IV. Capital Improvement Program.....	16
Policy V. Revenues	20
Policy VI. Cash Management, Investments, Petty Cash.....	22
Policy VII. Procurement	26
Policy VIII. Accounting, Auditing, and Financial Reporting	28
Policy IX. Risk Management	29
Policy X. Policy Review	34
Appendix A—Tax-Exempt Obligation Post-Issuance Compliance.....	35

PURPOSE

The Comprehensive Financial Management Policy assembles all the County's financial policies in one document and provides information for any separate County policies. It is a tool to ensure the County is financially able to meet its immediate and long-term service objectives. The individual policies contained herein serve as guidelines for both the financial planning and internal financial management of the County which includes both elected and appointed officials of Geary County.

These policies are primarily intended for department heads and elected officials. 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. However, the responsibility of any formal adoption or amendment to the financial management policy affecting the County's fiscal management 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 Comprehensive Financial Management Policy, approved and adopted by the BOCC, shall be the responsibility of the Finance Director to oversee.

These policies are open for review by any interested employee or citizen.

OBJECTIVES

To achieve its purpose, the Comprehensive Financial Management Policy has the following objectives for the County's fiscal performance.

- To guide BOCC and management policy decisions that have significant fiscal impact.
- To set forth operating principles that minimize the cost of government and financial risk.
- To employ balanced and fair revenue policies that provide adequate funding for desired programs.
- To maintain appropriate financial capacity for present and future needs.
- To promote sound financial management by providing accurate and timely information on the County's financial condition.
- To secure the highest possible credit and bond ratings by meeting or exceeding the requirements of bond rating agencies through sound, conservative financial decision making.
- To ensure the legal use of financial resources through an effective system of internal controls.
- To promote cooperation and coordination with other governments and the private sector in the financing and delivery of services.
- To link long-term financial planning with short-term daily operations.

POLICY I – FUND BALANCE & RESERVES

The BOCC approved a Fund Reserve Policy on November 14, 2022.

Fund balance measures the net financial resources available to finance expenditures of future periods. The County recognizes rating agencies examine fund balance when considering the overall economic health and credit quality of the County. Reserves protect the County's essential service programs during periods of economic downturn or unforeseen events or shortfalls.

GENERAL FUND

The General Fund is the primary operating fund of the County that accounts for most County operating revenues and expenditures.

The County shall achieve and maintain a minimum Unreserved Fund Balance of 30% of the General Fund's annual operating budget which should not be used to support recurring operating expenditures outside of the current budget year.

The County's goal will be a total reserve of \$3,000,000 with reserves being increased by at least \$250,000 annually until meeting the County's goal which will be used to cover emergencies, withstand local and regional economic shocks, and unexpected declines in revenue.

The County Finance Director shall complete an annual cash flow analysis of monthly revenues and expenditures to determine the adequacy of the minimum fund balance target and provide a report to the BOCC. The annual cash flow analysis shall include a review of historic volatility of revenues and expenditures throughout economic cycles and an assessment of whether revenues or expenditures are expected to deviate from their long-term trends during the next two years. The Finance Director shall analyze cash reserves annually to determine if the cash reserve goal is met or has exceeded the above goal. The Finance Director shall notify the Commissioners if not in compliance with policy.

If the general fund reserve becomes non-compliant with the adopted parameters, budgeted revenues will be greater than budgeted expenditures in subsequent years to bring the general fund reserve into compliance with this policy.

BOND AND INTEREST FUND

The County shall annually budget a total reserve of \$100,000.

OTHER FUNDS

The CIP Fund is not subject to state budget law, and carryover amounts should be based on future needs. However, the County shall annually budget a total reserve of \$500,000.

POLICY II – BUDGETING

The budget is one of the most important documents the County prepares since it identifies the services to be provided and how the services are to be financed. Budgeting is an essential element of the financial planning, control, and evaluation process of municipal government. During the budget process, the County shall reorganize both short-term needs and objectives in relation to the long-term goals of the County. The annual budget will be prepared and adopted in accordance with state laws. The Cash Basis Law requires expenditures be less than cash on hand. The State Budget Law requires actual expenditures not exceed budgeted expenditures.

The Geary County budget is the result of a process designed to provide for the expenditures of tax dollars for the benefit of Geary County citizens. The BOCC is ultimately responsible to the citizens for the budget document and the taxes levied to support it. Annually, the Finance Director distributes a budget calendar and the BOCC sets a budget baseline. Budget packages including forms and instructions shall be distributed to the department heads to prepare and return to the Finance Director as outlined on the budget calendar.

The County will maintain a capital improvement plan which provides a five-year estimate of the funds necessary to finance the County's capital projects. The capital improvement plan will be updated as outlined in the capital improvement.

The County will utilize a facility fund to ensure all county facilities are maintained and funds are available for unforeseen circumstances.

Any unreserved fund balance in the General Fund, in excess of 5% of the operating expenditures, shall first be used to fund any shortfall in the Budget Stabilization Reserve. Any excess may then be earmarked for non-recurring capital expenditures.

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 prior to the end of the budget year.

It is the County's policy not to fund mid-year requests from outside organizations except under extraordinary circumstances.

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. Geary 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 Special Bridge Fund, and County Facilities Fund.

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.

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

REVENUE BUDGETING

The Finance Director is responsible for coordinating and evaluating the estimation of major revenue sources included in the annual budget. The County Treasurer is responsible for providing estimates for motor vehicle taxes and special alcohol funds. The County will estimate revenues by an objective analytical process utilizing trend, judgmental and statistical analysis as appropriate. Revenues shall be estimated using a conservative approach to avoid budget shortfalls during the fiscal year.

BUDGET & EXPENDITURES

Geary County is required by law to adopt and submit a balanced budget for each fund with a tax levy to the State Division of Accounts and Reports each fall. A balanced budget is defined as a budget in which projected revenues and available unencumbered cash are equal to expenditures. All money that belongs to the county must be included in the annual budget. The law permits but does not require a non-appropriated carryover balance be included in the budget. This carryover balance is limited to five percent of total expenditures and non-appropriated balance in each fund per K.S.A. 79-2927.

State laws do not require all funds to be budgeted. 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). Other funds that are exempt include a multi-year capital improvement fund, capital projects and federal grants.

Even though such funds are not required to present budgeted receipts and expenditures for the current year estimate and proposed budget year, a fund page is still required for prior year actual amounts.

BUDGET AMENDMENTS

All budgeted funds exceeding the adopted budget shall be amended in accordance with state law.

The Finance Director shall analyze the budgeted revenues and expenditures in accordance with the budgets prepared by the Department Heads and the historical expenditures each month compared to the expenditures in the preceding year. This system will provide the BOCC with monthly information in a timely manner on fund level resource collections and department level expenditures.

When a County fund must be amended, the Finance Director will communicate with the responsible department head, who shall reserve time with the BOCC to discuss all necessary amendments. The department head shall be requested to attend the BOCC meeting to answer any questions concerning the amendment. The BOCC shall approve or deny the budget amendment. If the amendment is approved, any necessary fund transfers shall be made.

Prior to the end of the year, the Finance Director shall compile a list of approved budget amendment(s), complete the required state forms, and publish the amendment(s) in accordance with state law. A hearing shall be scheduled no less than ten days after publication, which shall be followed by the adoption of the amendments. Final adoption must occur prior to the end of the budget year to avoid a violation of state budget law.

ESTABLISHING & CLOSING FUNDS

When necessary, new funds shall be established as prescribed by state law for bond issuances, grant awards, or other requirements. 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 Finance Director shall notify all affected departments and close the fund.

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

The Authorization Form shall be returned to the finance office prior to establishing the fund. In conjunction with the establishment of the fund, the Finance Director shall prepare a budget amendment if necessary.

POLICY III – DEBT MANAGEMENT

The issuance of debt is a crucial tool for Geary County to utilize for large capital projects such as roads, bridges, public buildings, water, and sewer systems. To pay for these improvements without overburdening current citizens, debt is used to assist in the replacement of capital structures to charge the costs of the replacement over the course of several years to all citizens benefiting from the improvements. Projects or purchases recommended to the BOCC for completion using debt (both long term bond issues and short-term lease purchase obligations) as the primary funding mechanism, shall have a useful life that is equal to or exceeds the term of the financing.

The County will strive to maintain a high credit rating to assure the county's taxpayers the County is well managed and financially sound and to obtain reduced borrowing costs.

The County will utilize external bond counsel for all debt issues. All debts issued by the County will include a written opinion by Bond Counsel affirming the County is authorized to issue the debt, stating the County has met all Federal and State constitutional and statutory requirements necessary for issuance and determining the federal income tax status of the debt.

The County will retain an external financial advisor. The utilization of the financial advisor for each debt issuance will be at the discretion of the Finance Director based on discussion with external bond counsel. For each bond sale, the financial advisor will provide the County with information on pricing and underwriting fees for comparable sales by other issuers.

DETERMINATION OF DEBT

Debt Issuance shall be considered after determining pay-as-you-go is not a feasible alternative.

Factors which favor pay-as-you-go financing include circumstances where:

- The project can be adequately funded from available current revenues and fund balances;
- The project can be completed in an acceptable time frame given the available revenues;
- Additional debt levels could adversely affect the county's credit rating or repayment sources; or
- Market conditions are unstable or suggest difficulties in marketing a debt.

Factors which favor long-term financing include circumstances where:

- Revenues available for debt issues are considered sufficient and reliable so that long-term financing can be marketed with an appropriate credit rating, which can be maintained;
- Market conditions present favorable interest rates and demand for county debt financing;
- A project is mandated by state or federal government and current revenues or fund balances are insufficient to pay project costs;

- A project is immediately required to meet or relieve capacity needs and existing unprogrammed cash reserves are insufficient to pay project costs; or
- The life of the project or asset financed is five years or longer.

The following shall be prepared by the Finance Director and discussed with the BOCC and concerned parties:

- Amount of debt currently outstanding for Geary County;
- Source of revenue for the payments;
- Length of time to pay off the issue;
- PBC versus County issuance

SHORT-TERM BORROWING

The purpose of short-term borrowing is to provide funds to the County for unforeseen expenditures or to begin large projects as required by the funding agency. Short-term borrowing, such as temporary notes, are generally issued for terms of one year and are typically paid off with the issuance of a G.O. Bond.

Use of short-term borrowing will be undertaken if the transaction costs plus interest on a debt are less than the cost of internal financing.

Any unforeseen expenditures will be covered with cash reserves as possible before short-term borrowing will be considered.

The following steps shall be taken when issuing temporary notes for large projects.

Any department requesting temporary notes shall notify **Finance Director** 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:

- Project name
- Total amount of project and any grant funds applicable for the project
- Funding source for repayment
- Project start and completion date
- Upon the Finance Director's recommendation and subject to BOCC approval, funds may be borrowed from the General Fund cash reserves which will be subject to a 5% administrative fee

Department Head will provide **Finance Director** 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 Policy 2.

Bond Counsel shall be notified by **Finance Director** of the project costs.

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

BOCC adopts resolution authorizing the financing of the project.

Finance Director will provide **Bond Counsel and Financial Advisor** (if competitive issuance) with preliminary issuance information.

Bond Counsel prepares and submits to **Finance Director**, a tentative timetable for the issuance of the temporary notes.

Bond Counsel will mail drafts of sales documents to **Finance Director and County Counselor** for review. Approvals or corrections are returned to **Bond Counsel**.

Bond Counsel will prepare and mail to **Finance Director** the temp note resolution, bid proposal and notice of sale. The **Financial Advisor** will distribute a draft Preliminary Official Statement to all parties (**Finance Director** verifies the Preliminary Official Statement contains current financial and other information). **Finance Director** shall obtain a form letter from the auditor allowing for the inclusion of the audit in the Official Statement, if required.

Bond Counsel and Financial Advisor finalize 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 **Finance Director**.

The **Financial Advisor and Finance Director** 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**.

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.

The Financial Advisor will prepare the final debt service schedules for the Notes and advise the **Finance Director** 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.

Finance Director provides the **Financial Advisor** with the wire transfer information. **County Treasurer** notifies **Finance Director** when proceeds arrive.

For temporary note pay-off, **Bond Counsel** will calculate pay-off and notify **Finance Director**. The information shall include maturity date, total amount of pay-off and wiring information. If the issuance of temporary notes includes a redemption or refinancing of an outstanding temporary 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.

Finance Director will monitor the status of all temporary note maturity dates.

GENERAL OBLIGATION BONDS

The primary bond utilized by Geary 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 can issue general obligation bonds for land acquisition, roads, 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 BOCC. 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 BOCC. 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.

A county may also issue general obligation bonds to pay the costs of building or repairing roads in the county. Bonds shall not 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.

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.S.A. 68-701 et seq. – Benefit Districts

Improvements Authorized: Improvements to county roads for which a benefit district petition has been received. This set of statutes permit the creation 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.S.A. 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. K.S.A. 19-15,116 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. An example would be the Solid Waste Transfer Station. Revenues earned from the deposit of refuse would be transferred to the Bond and Interest Fund to pay the bonds issued.

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. 10-1116c - 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 BOCC. 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 past 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 available to Geary County are 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 Finance Director, 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. More information can be found in Appendix A.

POLICY IV-- CAPITAL IMPROVEMENT PROGRAM

The BOCC formally approved the Capital Improvement Program on March 20, 2023.

A Capital Improvement 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 for each project. Estimated costs for equipment will be provided by researching costs on the internet and/or requesting prices from applicable vendors. Current industry standards will be used to estimate labor and square footage if presenting construction projects.

If projects require feasibility studies and/or design costs, they will be listed as large projects on the Non-funded CIP project list and will be brought to the Commission for consideration and discussion at the quarterly meeting. If possible, an estimated cost will be provided, however if the Commission determines to pursue the project, they may approve feasibility study and/or design costs for further review prior to approval of the project. If grant or bond funds are utilized for these projects, these costs will be reimbursed from such funds back to the CIP fund.

Planning for capital improvements over time optimizes the use of Geary 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 Geary 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 Geary 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 and updated cost estimates.
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. Construction of any new facility, structure, building, or public improvement or any addition/major renovation to an existing structure which may include acquisition of or option to buy land and/or rights in land, whether by purchase or eminent domain proceedings, regardless of cost. To ensure all costs are included in providing the estimate and for oversight of the project, these projects shall be coordinated with the Public Works Director, first considering the use of Facility funds for smaller building projects.
2. Infrastructure projects including, but not limited to roads, bridges, sewer and water projects which may include acquisition of or option to buy land and/or rights in land, whether by purchase or eminent domain proceedings, regardless of cost. These projects shall be coordinated with the Public Works Director to ensure all costs are included in providing the estimate and for oversight of the project.
3. Acquisition of equipment (both fixed and movable) or machinery. Any fixed equipment purchases shall be coordinated with the Public Works Director to ensure all code requirements are met.
4. Information technology which is defined as all hardware, software, and peripheral devices. All information technology purchases shall be coordinated with the IT contractor.

Preliminary planning costs for architectural and engineering studies may be necessary for items 1 and 2 listed above to help ensure projects have reasonable and accurate cost estimates. If approved, planning funds may be repaid to the CIP with project funding.

MISCELLANEOUS PROVISIONS

CIP Forms: **CIP Project Funding Authorization Request 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 Request 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 a 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 BOCC and activated utilizing the **CIP Project Funding Authorization Request 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 the Finance Director will send **CIP Multi-Year, Annualized Non-funded Project Form** to all Department Heads to review and update.
2. Department Heads will complete/update a **CIP Project Funding Authorization Request Form** for all requested projects for the next 5 years and return to the Finance Director.
3. All requests shall be compiled by the Finance Director 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 Finance Director and presented to the BOCC monthly.
6. The **Funded Projects Cash Flow** report will be presented to the BOCC during the Commission Meeting each quarter. 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 Finance Director. The Finance Director attaches the amendment request to the original form used to activate the initial funding of the CIP project.
2. The Finance Director will verify cash and budget authority is available to

activate the project for initial funding or amendment.

3. 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.
4. The Original signed copy will be kept on file in the Finance Director's office. The Department Head will receive a copy of the signed form.
5. The Finance Director will update the **Non-funded Project** form and the current **Funded Projects Cash Flow Report** with the approved projects.
6. Project purchases are the responsibility of the Department Head and are subject to the Geary County Procurement Policy.

COMPLETING A CIP PROJECT

The department head notifies the Finance Director in writing when the project is complete. The Finance Director uses the original **CIP Project Funding, Amendment, and Completion Form** to document the completion. This form is delivered to the Department Head for signature. The Department Head returns the signed form to the Finance Director 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, sign off on the invoice and forward to the Finance Director to code for payment. The Finance Director adds the costs to the Funded Projects Cash Flow report before providing the invoice to the Accounts Payable/Financial Analyst in the finance office.

POLICY V – REVENUES

The primary source of revenue for Geary 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. 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).

Another significant source of revenue for the County is local sales tax. In 1982, Geary County voters approved a one cent sales tax which is credited to the General Fund. By law, this sales tax Geary County collects must be shared with cities within the County. Geary County also levies a ¼ cent sales tax, which was approved by the voters in 2006 for the hospital G.O. bond which will sunset when the bond matures.

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.

The County will try to maintain a diversified and stable revenue system to shelter it from short-term fluctuations in any one revenue source.

It is the goal of the County that all Business Funds are self-supporting.

FEES FOR SERVICES

It is the policy of the BOCC to attempt to reduce the County's degree of reliance on ad valorem taxes for annual operating revenues by pursuing appropriate fees for services rendered. When possible, fees will be adjusted to recover inflationary cost increases to avoid large fee increases in any single year.

To achieve this goal, fees for services will be reviewed annually as part of the operating budget cycle. Elected officials, agency directors, and department heads are responsible for explaining and justifying the amount of fees for services included in their annual budget requests.

USE OF ONE-TIME AND UNPREDICTABLE REVENUES

It is the policy of the BOCC that one-time (non-recurring) and unpredictable revenues shall not be used to fund on-going expenditures. On-going expenditures shall be funded with on-going sources of revenues. However, reserves may be used on a short-term basis to offset

the impact of economic downturns, so long as adjustments are made to restore the structural balance of the operating budget within one to two fiscal years. Appropriate uses of one-time resources include establishing and rebuilding Fund Reserve, early retirement of debt, capital expenditures and other non-recurring expenditures.

Grants will be treated as all other temporary and uncertain resources and will not be used to fund ongoing, basic service needs which includes hiring personnel. The County will first ascertain if future funds will be available to offset this expense or whether additional personnel are needed on a long-term basis before committing to the cost of hiring personnel.

EXTERNAL REIMBURSEMENTS

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

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

DELINQUENT TAX COLLECTIONS

The Treasurer's office will attempt to work with customers, so taxes do not become delinquent through the use of an escrow fund for current taxes. These plans allow citizens to budget for monthly payments rather than one or two large annual payments. The 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.

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.

POLICY VI – CASH MANAGEMENT, INVESTMENTS, PETTY CASH

Cash management is the practice of safeguarding and maximizing the income earned on liquid assets. Cash, liquidity, and investment management activities shall be conducted prudently. The County shall maintain adequate management procedures, controls, and policies for the County's liquid assets.

The BOCC has authority to invest all funds not immediately required for the purposes for which the monies were collected or received, held by, or belonging to, Geary County, its agencies or departments. This authority is granted in K.S.A. 12-1675.

The BOCC desires to set forth a policy which will ensure the funds are securely invested with the best interest of Geary County in mind in following K.S.A. 9-1401-9-1409.

The BOCC desires to have the Geary County Treasurer and the Finance Director work together with the belief that a team approach is in the best interest of the County.

INVESTMENT OF COUNTY FUNDS

SCOPE:

This investment policy applies to all financial assets of Geary County made by the Geary County Treasurer and Finance Director. These funds are accounted for in the County's annual financial report.

OBJECTIVES:

Funds of Geary 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 safety.

SAFETY:

Safety of principal is the foremost objective of Geary 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 Geary 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 Geary County shall be designated to attain a market-average

rate of return through budgetary and economic cycles, considering Geary County's investment risk constraints, cash flow characteristics of the portfolio and prudent investment principles.

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:

Geary 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 safety.

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

Certificates of Deposit
NOW Accounts and Pass Book Savings Accounts
Money Market Accounts
CDARS

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

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

RISK AND DIVERSIFICATION:

Geary County recognizes investment risks can result from issuer defaults or market price changes. Portfolio diversification is employed to control risk. Investment managers are expected to display prudence in the selection of securities 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 Geary County Treasurer and Finance Director shall annually 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.

SAFEKEEPING AND CUSTODY:

It is the goal of Geary 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 Geary County must be in the name of Geary County and held by the

County or its authorized safekeeping agent.

To protect against potential fraud and embezzlement, the assets of Geary 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.

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 BOCC and/or County Treasurer deems necessary, Geary 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 that might impair public confidence in Geary County's ability to govern effectively.

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 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.

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 Finance 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.)-5001 (misc. collection).

POLICY VII – PROCUREMENT

Procurement utilizes monetary assets of the County to purchase products and services. All purchases shall be made in accordance with the County's procurement code as well as applicable state and federal laws.

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 Geary County Procurement Code, which is a separate financial policy. 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 2025 membership to an organization with a due date on the invoice of 12/31/24 can be paid out of 2024's budget if it has been processed consistently in prior years. For expenditures from general services in the General fund, and the CIP, Facility, Economic Development, Debt Service, Grant, Opioid Settlement funds, invoices shall pass through the Finance Director before being submitted for payment to the Accounts Payable/Financial Analyst in the Finance office.

Invoices are paid bi-monthly. Per K.S.A. 19-716, all accounts payable shall be presented to the BOCC and County Counselor for review and final approval, including purchase card transactions. A separate Purchase Card Program Policy was updated and approved by the BOCC on June 3, 2024.

Monthly financial data will be made available electronically to Department Heads. The Finance Director will present monthly financial reports to the BOCC.

ENCUMBRANCES

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 Finance 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.

PAYROLL

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

The Finance Director presents quarterly wage and overtime reporting to the BOCC.

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 or home rule.

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" or a "transfer from" 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" located within the Geary County Budget document must include all interfund transfers.

All budgeted transfers need to be submitted within the year the transfer was budgeted.

POLICY VIII – ACCOUNTING, AUDITING, AND FINANCIAL REPORTING

OVERVIEW

Accounting and financial reporting provide the informational infrastructure for the County.

A comprehensive financial audit, including an audit of federal grants, as applicable, according to the U.S. Office of Management and Budget Circular A-133, will be performed annually by an independent public accounting firm. The independent public accounting firm will express an opinion on the County's Financial Statements. The firm will be selected by the County through a Request for Proposal process for audit services every five years or as needed based on the County Procurement Code.

Full disclosure will be provided in the County's annual audit and budget reports and bond documents. The County will provide annual disclosure to the rating agencies and national bond disclosure libraries.

A system of internal accounting controls will be maintained to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions of the County.

The County's audit, budget and monthly reports will be made available by the Finance Director for viewing by the general public.

POLICY IX – RISK MANAGEMENT

The primary purpose of this chapter is to provide department heads with an educational resource for implementing the principles of risk management into the daily operations of their department.

The Finance Director is responsible for providing information and resources to department heads and the BOCC on general risk management issues including fraud for Geary County when requested and providing information and recommendations to the BOCC.

The goals of this risk management program shall be to:

Provide an avenue of communication for addressing risks to Geary County as these risks rarely have an effect on only one area of operation;

Identify and assess risks as they arise to minimize any potential impact on county assets;

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;

Provide an opportunity to review risk financing measures to reassess whether a 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.

AREAS OF EXPOSURE

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.

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 property is basically land and buildings affixed to the land. Personal property is tangible items that are not real property (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.

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 to protect the county's financial assets.

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.

Legal Liabilities - Liability exists 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. 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. Ensuring these risks are identified and addressed lies with the managing department heads.

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 assess the risk.

In the event a loss occurs, a claim will be completed with KCAMP by the applicable department. 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 Geary County Procurement Code, all contracts naming Geary 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. 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 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

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 Geary County against a more rural county in Kansas, the definition of "high frequency of auto accidents" will be considerably different because Geary County owns many more vehicles and employs several more employees than a very 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. 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 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.

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, risk avoidance would be a viable solution to the county.

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.

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 Finance Director 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.

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.

Risk Sharing – Sharing in risk is typically done through a pooling arrangement with other similar entities.

POLICY X – POLICY REVIEW

The BOCC shall review, amend if necessary, and affirm the financial policies contained in this document as needed after review with its staff.

The Finance Director shall provide the BOCC a written status report concerning the County's compliance with the nine financial categories on an annual basis.

APPENDIX A
GEARY COUNTY, KANSAS
TAX-EXEMPT OBLIGATION POST-ISSUANCE COMPLIANCE POLICY

This Tax-Exempt Obligation Post-Issuance Compliance Policy (the "Policy") sets forth specific policies of Geary County, Kansas (the "County"), 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 ("Bonds") with applicable provisions of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder (collectively, the "Code").

The Policy documents existing practices and establishes procedures and systems designed to identify and monitor facts relevant to demonstrating the County's compliance with Code requirements applicable to Bonds and which must be satisfied after Bonds are issued and during the time Bonds are outstanding to maintain the exclusion of interest paid on the Bonds from gross income for federal income tax purposes. The County recognizes that complying with the applicable provisions of the Code is an on-going process, required for the entire time Bonds remain outstanding and is an integral component of the County's debt management.

Accordingly, the Policy will require on-going monitoring and consultation with bond counsel beyond the scope of its initial engagement with respect to outstanding Bonds. The requirements of the Code are related to investment, use and expenditure of Bond proceeds and restrictions on the use of Bond financed facilities or purposes (the "Project").

I. Director

The County's Finance Director shall be the Director responsible for monitoring post-issuance compliance under this Policy (the "Director"). The Director shall consult bond counsel, rebate analysts, financial advisors, IRS publications and other resources as are necessary to understand and meet the requirements of this Policy. The Director may delegate responsibilities under this Policy to other employees and outside agents. The Director, however, shall review the work performed by any person performing work under this Policy and shall remain responsible for requirements under this Policy.

The Geary County Treasurer along with the Finance Director supervises investment of county funds and collects investment and tax revenues received. The Geary County Finance Director supervises County expenditures and preparation of the annual County budget. Together, these two County offices operate as an important "check and balance" on County finances.

All monitoring requirements under this Policy shall be performed by the Director no less than once each calendar year with respect to all outstanding Bonds of the County. The County anticipates performing the annual responsibilities set forth in this Policy on or before August 31 of each calendar year Bonds are outstanding.

II. Transcripts and Other Documents

The Director shall obtain from bond counsel a transcript of proceedings for each issuance of Bonds, which transcript shall contain, at a minimum:

- A. All bond documents, including bond counsel opinions;
- B. Appropriate IRS Form 8038;
- C. Minutes, resolutions, and certificates authorizing or relating to issuance of Bonds and authorizing the Project;
- D. Certifications of issue price from the underwriter;
- E. Information relating to refunded bonds or obligations if applicable;
- F. Formal elections required by the IRS; and
- G. Tax compliance certificates and/or agreements.
- H. Any opinions of bond counsel not included in the transcript;
- I. Amendments, modification or substitution of any agreement or document found in the transcript;
- J. Correspondence with the **IRS** relating to the Bonds, including any records of an audit by the IRS or any Voluntary Closing Agreement Program proceedings;
- K. For Bonds that refund a prior issue of Bonds, the transcript, and any related documents for the refunded Bonds, including the records required by this Policy;
- L. Other documents or evidence relating to Bonds relevant to the goals of this Policy.

The form of the transcript of proceedings may be in hard copy or electronic form and shall be maintained in the Finance Office of the County.

In addition to the transcript, the Director shall also create a file for each issue of Bonds that includes the transcript, contains the records required by this Policy and:

III. Use of Proceeds

- A. For each issue of Bonds and each project financed with proceeds of Bonds, the County shall adopt, or cause its duly authorized corporate trustee to adopt, an accounting methodology that separately maintains each source of funding for a project and identifies the use of such sources of funding by individual project and monitors and identifies the expenditure of proceeds of the Bonds.
- B. The Director shall maintain or ensure the following records are maintained by the County or a duly appointed corporate trustee:
 1. records showing the deposit of Bond proceeds into funds and accounts established for Bond proceeds by authorizing documents;
 2. a list of all facilities, equipment or purposes financed by Bond proceeds and comprising the Project as defined herein; and
 3. requisitions, draw requests, invoices and bills requesting payment from Bond proceeds and records of the payment of Bond proceeds that evidence allocation of the proceeds and any investments earnings on such proceeds to pay Project costs or make other permitted expenditures, including any reimbursement of expenditures made before Bonds were issued;
 4. if applicable, records showing the investment of and interest earnings on Bond proceeds and reserve funds, including records of any investment contracts, credit

- enhancement transactions, and the bidding of financial products related to Bond proceeds;
5. records showing allocation of funds other than Bond proceeds spent for Project costs or other permitted expenditures;
 6. records of, including copies of all contracts, leases, or other documents, evidencing any private use (i.e., use by a non-governmental person or entity) of projects financed with Bond proceeds.
- C. The Director shall monitor the use of all Projects financed with Bond proceeds to ensure no unqualified private use is made of such projects. Examples of possible private use include:
1. sale of the Project;
 2. lease or sublease of the Project or portions thereof;
 3. management contracts (in which the County authorizes a third party to operate a Project or any portion thereof), research contracts and naming rights contracts with respect to a Bond financed Project;
 4. preference arrangements (in which the County authorizes use of a Project by a third party on a preferential basis, e.g., specific rights to parking facilities);
 5. contracts for purchase of output from public utilities or other contracts for use of Bond financed improvements to public utilities (e.g., sales of water or electricity to large non-governmental users);
 6. joint-ventures, limited liability companies or partnership arrangements relating to the Project or the use of the Project;
 7. agreements or contracts that provide for guaranteed payments from nongovernmental third parties with respect to Bond financed facilities;
 8. a grant or loan made to non-governmental entities from Bond proceeds; and
 9. any changes in the use of Project.

Before the County enters into any arrangement or contract which may result in private use of Bond-financed facilities, the Director shall present such arrangement or contract to bond counsel for review.

The Code provides certain remedial actions available to the County if post-issuance use of a Bond-financed Project causes private use, which includes redemption of the non-qualified portion of the Bonds, alternative use of any disposition proceeds, and alternative use of the facility.

If the Director identifies any possible private use of Bond financed Projects, the Director will consult with bond counsel to determine whether such use will have any adverse effect under the Code and whether any remedial action is necessary.

- D. Following completion of a Bond-financed Project (or thirty (30) months from the date of issuance of a Bond, whichever occurs first), the Director shall:
1. review the expenditures of Bond proceeds to determine whether all Bond proceeds have been allocated to the Project as intended;
 2. direct the use of unspent proceeds in accordance with the limitations of the bond documents, and if no provision is otherwise made therefore, to the redemption or defeasance of outstanding Bonds of the same issue;

3. consult with bond counsel regarding potential yield restriction or yield reduction payments if unspent Bond proceeds remain after three years from issuance.

If there are any questions or concerns regarding unspent Bond proceeds and the use or allocation thereof, the Director shall consult bond counsel.

IV. Arbitrage/Rebate Compliance

- A. The Director shall review and cause the County Clerk to execute and file the appropriate IRS Form 8038 by the fifteenth (15th) day of the second calendar month following the quarter in which the Bonds are issued.
- B. The Director shall review with bond counsel each Certificate Related to Arbitrage and Tax Matters, Tax Compliance Agreement, or other tax certificate/agreement related to Bonds and shall:
 1. obtain from the underwriter or financial advisor a computation of the yield on each issuance of Bonds, computed in compliance with the Code;
 2. monitor the investment and expenditure of Bond proceeds to comply with the temporary periods and reasonable expectations set forth in such certificate/agreement;
 3. if applicable, monitor and ensure all Bond proceeds are spent in accordance with one or more of the applicable spending exceptions to rebate as set forth in such certificate/agreement;
 4. monitor the purchase of investments with Bond proceeds to ensure such investments are purchased a fair market value and in compliance with the Code;
 5. consult with bond counsel prior to engaging in any post-issuance credit enhancement transactions or hedging transactions.
- C. In the event any expenditure of Bond proceeds has failed, or will fail, any temporary period or rebate spending exception, the Director shall immediately notify and consult with bond counsel and a rebate analyst to procure a computation of any rebate liability and any necessary yield reduction payments, all as required by the Code.
- D. The Director shall, or shall cause another appropriate officer to, monitor, and ensure that no formal or informal fund is created which is reasonably expected to be used to pay debt service on any Bonds without first consulting bond counsel.

V. Record Retention

The Director shall ensure the following records are retained by the County during the time any Bond remains outstanding (or the time that any issue that refunds the Bond remains outstanding) and for a period of three (3) years thereafter:

- A. The transcript of proceedings and additional documents, as described in Section II of this Policy.
- B. Documentation evidencing the expenditure and use of Bond proceeds, as described in Section III.
- C. Documentation evidencing use of Bond financed facilities by both public and private entities (including all leases, contracts, and other arrangements).

- D. Documentation evidencing the investment of Bond proceeds (including the purchase and sale of securities, SLGs subscriptions), yield calculations for each class of investments, actual investment income received by the investment of Bond proceeds, guaranteed investment contracts, and rebate calculations.
- E. Copies of all certificates and returns filed with the IRS and all reports regarding IRS examinations of the County or its Bonds.
- F. Copies of all documentation used to establish valuation of a Bond-financed facility, including appraisals, demand and feasibility studies and grant contracts.
- G. Copies of all construction and purchase contracts for Bond financed Projects.
- H. All other documentation necessary to establish qualification for tax-exemption of the Bonds.
- I. Documentation evidencing all monitoring and compliance performed by the Director pursuant to this Policy.

VI. "Bank Qualified" Bonds

If the County issues Bonds in any calendar year that it designates as "qualified tax-exempt obligations" under the Code, the Director shall monitor all tax-exempt obligations issued by the County in that calendar year (including lease purchase contracts and Bonds issued by the County on behalf of qualified 501(c)(3) organizations under the Code) to determine if the County will comply with the limitation of the amount of "qualified tax-exempt obligations" which may be issued in such calendar year (established by the Code, currently \$10,000,000 per calendar year). If it appears a proposed issue of Bonds or other tax-exempt obligation may cause the limit to be exceeded in a calendar year, the Director will consult with bond counsel before proceeding to issue the Bonds or other obligations.

VII. Industrial Revenue Bonds - Conduit Bonds

If the County issues tax-exempt industrial revenue bonds or other conduit bonds on behalf of a third-party bond-owners, the County will consult with bond counsel and require that before such bonds or obligations are issued, the documents prepared in connection with such issues require appropriate post-issuance compliance measures be undertaken by the conduit bond-owner or the bond trustee or both.

VIII. Advance Refunding Bonds

Before the County issues Bonds to advance refund any outstanding Bonds, the Director shall consult with bond counsel, the County's financial advisor and others to determine if proposed refunding complies with all applicable requirements of the Code, including a determination that the Bonds to be advance refunded remain "tax-exempt obligations" in compliance with all applicable provision of the Code.

IX. Tax Exempt Bond - Voluntary Closing Agreement Program

Tax Exempt Bonds ("TEB") is a division of the Tax Exempt and Governmental Entities division of the IRS. TEB administers a program known as the Voluntary Closing Agreement Program ("TEB VCAP") to assist governmental issuers in resolving violations of the federal tax laws applicable to tax-exempt bonds. TEB VCAP allows a governmental

issuer to conclusively resolve such violations through the execution of closing agreements with the IRS.

The County is aware of the TEB VCAP program and the TEB VCAP procedures set forth in the Internal Revenue Manual sections 7.2.3.1 - 7.2.3.3.6 and section 4.81.6. If the Director discovers a deficiency in compliance under the terms of the Policy or the applicable provisions of the Code or otherwise, the Director shall consult with bond counsel and follow the procedures identified by the Code or the TEB VCAP to remediate noncompliance. If the Director and bond counsel determine a TEB VCAP request is necessary, the Director shall obtain approval from the governing body before submitting such request.

X. Continuing Disclosure - SEC Rule 15c2-12

The Director shall review the Continuing Disclosure Undertaking for each issue of Bonds and determine the financial information and operating data the County is required to include in an annual report filed with the MSRB or EMMA and cause the annual report to be filed as required by the applicable Continuing Disclosure Agreement. The Director will review the Continuing Disclosure Undertaking to determine which "material events" related to an issue of Bonds will require filing of a notice with the MSRB. If the Director has knowledge of any event the Director believes may require disclosure as a "material event" under the Continuing Disclosure Agreement, the Director will consult with bond counsel. If the Director and bond counsel conclude that notice of a "material event" should be provided, the Director will cause appropriate notice to be filed as provided in the Continuing Disclosure Agreement.

ADOPTION

Adopted this 18th day of November, 2024 by the Board of Commissioners of Geary County, Kansas.

Board of Commissioners
of Geary County, Kansas


Chair


Member


Member

ATTEST:


County Clerk

