



COUNTY COMMISSION REGULAR AGENDA

Finney County, dedicated to its citizens, serving its taxpayers

COUNTY ADMINISTRATIVE CENTER

July 10, 2017

8:30 AM

CALL TO ORDER

**CHAIRMAN LON
PISHNY**

8:30 AM

Pledge of Allegiance to the Flag and Invocation

Chair Person Comments

Proclamation (8:30 am) - Holcomb High School Baseball Team

Consent Agenda

Approval of Minutes from 06/19/2017

Approval of Accounts Payable to include the following: Payroll of 06/30/17 in the amount of \$270,782.34 and A/P invoices of 07/03/17 in the amount of \$194,283.19

Finney County Fair Board

Appointment of Terry Township Treasurer

Public Comment

Old Business

Indigent Services Contract (2018-2019)

Jennie Barker Road

Business Items

Horse Thief Reservoir Board Re-Appointment

2016 Audit Presentation

Lewis, Hooper & Dick

Presentation of 2016 financial statement

Executive Session - Non Elected Personnel

15 Minutes

Pursuant to K.S.A. 75-4319 (b) (1)

Board Governance

2018 Budget Discussion

County Administrator Report

County Commissioner Reports

- Commissioner Clifford
- Commissioner Drees
- Commissioner Larry Jones

- Commissioner Dave Jones
- Chairman Pishny

Adjournment

Next Commission Meetings - Monday, 7/17/2017 and Monday, 8/7/2017



MEMORANDUM

TO: County Commission
THRU: Randy Partington, County Administrator
FROM:
DATE: July 10, 2017
RE: Proclamation (8:30 am) - Holcomb High School Baseball Team

DISCUSSION:

The Finney County Commissioners take great pleasure in expressing the appreciation of the County Commission and all citizens of this county on this achievement and hereby proclaim the week of July 10th - 16th, 2017 as Holcomb High School Baseball Championship Week.

RECOMMENDATION:

N/A

ATTACHMENTS:

Description

Holcomb High School Baseball Proclamation

PROCLAMATION

WHEREAS, The Holcomb High School Baseball Team won the Kansas State Baseball 4A - 2 State Championship. This is the 1st Baseball Championship win in Holcomb High School history; and

WHEREAS, The 2017 State Champions of Class 4A - 2 consisted of: Braden Rupp, Brayden Goddard, Caeden Spencer, Ortnor Peyton, Scott Pittman, River Amos, Sebastian Munoz, Alex Ortega, Jordan Ramsey, Chance Rodriguez, Brandon Stegman, Conner VanCleave, AJ Ortega, Paden Cornelson, Dawson Lewis, Kaden Tichenor, Trey Cox, Kyle Hammond, Crain Steven, Jamison Martin, Zach Bradley and Antonio Rodriguez; and

WHEREAS, The Holcomb Baseball Team includes a dedicated staff of: Head Coach Todd VanCleave and Assistant Coach Landon Lukens.

NOW, THEREFORE, The Finney County Commissioners take great pleasure in expressing the appreciation of the County Commission and all citizens of this county on this achievement and hereby proclaim the week of July 10th – 16th, 2017 as

HOLCOMB HIGH SCHOOL BASEBALL CHAMPIONSHIP WEEK

And call upon all citizens of our county to encourage our youth in their endeavors towards excellence in life.

DONE this 10th day of **July, 2017**.

Lon E. Pishny, Chair

Bill Clifford, MD, Commissioner

Dave Jones, Commissioner

Duane Drees, Commissioner

Larry Jones, Commissioner

Attest:

Anita Garcia, County Clerk



MEMORANDUM

TO: County Commission
THRU: Randy Partington, County Administrator
FROM:
DATE: July 10, 2017
RE: Approval of Minutes from 06/19/2017

DISCUSSION:

N/A

RECOMMENDATION:

Approval of Minutes from 06/19/2017



MEMORANDUM

TO: County Commission
THRU: Randy Partington, County Administrator
FROM:
DATE: July 10, 2017
RE: Approval of Accounts Payable to include the following: Payroll of 06/30/17 in the amount of \$270,782.34 and A/P invoices of 07/03/17 in the amount of \$194,283.19

DISCUSSION:

N/A

RECOMMENDATION:

Approval of Accounts Payable



MEMORANDUM

TO: County Commission
THRU: Randy Partington, County Administrator
FROM:
DATE: July 10, 2017
RE: Finney County Fair Board

DISCUSSION:

Finney County Fair Board requesting to remove Norman Dean "Buddy" Smithson as a member of the Board.

BACKGROUND:

The Fair Association's By laws state the following:

Article VI Attendance

Members must attend at least six of the eleven monthly meetings annually. Failure to attend at least six of the monthly meetings may constitute grounds for termination of membership, in which instance a request for termination will be filed with the Finney County Commissioners.

RECOMMENDATION:

Approve the removal of Norman Dean "Buddy" Smithson as a member upon the recommendation of the Finney County Fair Board.



MEMORANDUM

TO: County Commission
THRU: Randy Partington, County Administrator
FROM:
DATE: July 10, 2017
RE: Appointment of Terry Township Treasurer

DISCUSSION:

Appoint Mary Chandler to the position of Terry Township Treasurer.

BACKGROUND:

Lisa Pollman-Hongsermeier was elected in the November 2016 election by write-in and has declined the position by failing to take the oath of office therefore Terry Township Treasurer is vacant and Commissioners will appoint designee to fulfill the term of the office (19-212)

RECOMMENDATION:

Approve Mary Chandler to the position of Terry Township Treasurer

MEMORANDUM

TO: County Commission
THRU: Randy Partington, County Administrator
FROM:
DATE: July 10, 2017
RE: Indigent Services Contract (2018-2019)

DISCUSSION:

See memo

ALTERNATIVES:

Agree to proposed contract
Negotiate for a different contract
Table until further research is done

RECOMMENDATION:

N/A

FISCAL And/Or POLICY IMPACT:

\$594,000

ATTACHMENTS:

Description
Indigent Services

SCHULTZ LAW OFFICE, P.A.

Gerald O. Schultz
Zachary D. Schultz

Logan M. Schultz
Margaret M. Schultz

Attorneys at Law
309 E. Walnut
Garden City, KS 67846

(620) 276-3728
Fax: (620) 276-3798

June 13, 2017

Mr. Randall Partington
County Administrator
311 N. Ninth Street
P.O. Box M
Garden City, Kansas 67846

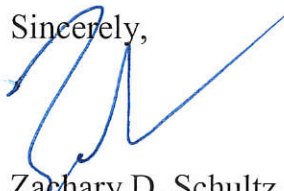
RE: 2018-2019 Finney County Indigent Services Contract

Dear Mr. Partington:

Enclosed is the proposal of the Finney County Indigent Services Attorneys for the years 2018 and 2019. Please present the enclosed proposal to the Board of County Commissioners for their review and approval.

Should you have any questions or concerns in regards to this matter, please advise.

Sincerely,



Zachary D. Schultz
Enclosure

CONTRACT FOR PROFESSIONAL LEGAL SERVICES

THIS AGREEMENT made this ____ day of _____, 2017, between BOARD OF COUNTY COMMISSIONERS OF FINNEY COUNTY, KANSAS, hereinafter referred to as "County", and Bors Law, P.A., William A. Wright, Spencer & Spencer, P.A., Craig & Gaede Law Office, P.A., Schultz Law Office, P.A. and Calihan, Brown, Burgardt & Douglass, P.A., hereinafter collectively referred to as "Finney County Indigent Services Attorneys" or "Attorneys" is as follows:

1. **TERM OF CONTRACT.** The County shall contract with and hire six (6) Attorneys from January 1, 2018, through December 31, 2019, for the purpose of rendering professional legal services as shall be hereinafter set out.
2. **THE OBLIGATION OF ATTORNEYS.** Attorneys shall, pursuant to this contract provide indigent legal services and representation up to a maximum number of 1272 appointments in a given year (a maximum of 212 cases per attorney) for the following categories of cases: traffic, misdemeanor, misdemeanor probation violation, fish and game, care and treatment, juvenile offender (felony & misdemeanor), juvenile felony with certification as an adult and/or EJJ, truancy, and CINC (child in need of care cases).
3. **COMPENSATION.** The County shall establish a fund to pay Attorneys as follows:
 - a. **2018.** The County shall establish a total professional legal services budget of five hundred fifty-nine thousand dollars (\$559,000) for provision of indigent legal services. Four hundred eighty thousand dollars (\$480,000) of which shall be set aside by the County to pay six (6) attorneys handling 100% of the indigent legal services. County shall pay to each of the six (6) Attorneys the sum of eighty thousand dollars (\$80,000) in equal monthly installments. The sum of seventy-nine thousand dollars (\$79,000.00) shall be set aside to establish a Conflicts Panel Fund to process payments to individual lawyers not serving on the indigent legal services panel. At the end of 2018, any funds left in the Conflicts Panel Fund shall be equally divided among the attorneys on the Indigent Legal Services Panel as of December 31, 2018, and shall be paid out to the Indigent Legal Services Panel Attorneys by February 1, 2019, or as soon thereafter as practical.
 - b. **2019.** The County shall establish a total professional legal services budget of five hundred sixty-nine thousand dollars (\$569,000) for provision of indigent legal services. Four hundred eighty thousand dollars (\$480,000) of which shall be set aside by the County to pay six (6) attorneys handling 100% of the indigent legal services. County shall pay to each of the six (6) Attorneys the sum of eighty thousand dollars (\$80,000.00) in equal monthly installments. The sum of eighty-nine thousand dollars (\$89,000.00) shall be set aside to establish a Conflicts Panel Fund to process payments to individual lawyers not serving on

the indigent legal services panel. At the end of 2019, any funds left in the Conflicts Panel Fund shall be equally divided among the attorneys on the Indigent Legal Services Panel as of December 31, 2019, and shall be paid out to the Indigent Legal Services Panel Attorneys by February 1, 2020, or as soon thereafter as practical.

- c. Cases accepted by Attorneys in excess of the maximum number of appointments will be paid at a rate of sixty (\$60.00) dollars per hour plus expenses, subject to Court approval.
- d. Attorneys shall complete any previously assigned cases presently pending as of the date of commencement of this contract, without additional compensation under this contract.
- e. Upon termination of this Contract on December 31, 2019, Attorneys will complete any and all cases pending by February 1, 2020, if possible. Thereafter, the Attorneys may withdraw from individual cases upon the Attorney's motion as the Court may allow in obligation to, as much as possible, place the case in a position so that it may be transferred to other counsel with a minimum amount of difficulty and expenditure of time. Should the Court not allow the Attorney's motion to withdraw, the attorney shall complete the case at a rate of compensation of seventy (\$70.00) per billable hour, plus reasonable expenses. Said billable hour shall be billed in hours and tenths of an hour with a minimum time period being one-tenth of an hour. Only such billable hours and expenses are allowed by the Court upon review of vouchers presented shall be paid.
- f. **Appeal Fund.** It is understood by the parties that the County will establish a fund of \$10,000.00 which is the maximum amount that may be paid under this contract in a given year for cases appealed beyond the District Court. If at any time either party believes that there is a reasonable possibility that the maximum amount will be exceeded in any fiscal year, the County and Attorneys shall meet and confer in an attempt to resolve any potential funding shortfall. Cases that are appealed beyond the District Court will be paid at a rate of sixty dollars (\$60.00) per hour plus expenses, subject to Court Approval.
- g. **Juvenile Offender/Misdemeanor/Traffic Jury Trials, Child in Need of Care Severance Trials and Child in Need of Care Custody Orders.** It is understood by the parties that the County will establish a fund of fifteen thousand dollars (\$15,000.00), which is the maximum amount that may be paid under this contract in any given year for:
 - i. Juvenile Offender, Misdemeanor criminal, and traffic cases that are set for jury trials, meaning when a plea of not guilty is entered. The Indigent Services Attorney or Conflict Attorney will be paid for hours expended from when a plea of not guilty was entered in court until that case is completed.

- ii. In a juvenile offender case in which the State files a motion to certify a juvenile for prosecution as an adult, beginning when the State files the motion to certify a juvenile for prosecution as an adult until the case is completed.
- iii. Child in Need of Care cases that go to evidentiary severance trial, meaning upon the Court making a finding that reintegration is no longer viable and directing the State to file a motion to terminate parental rights and continuing until the completion of the case.
- iv. Child in Need of Care custody orders. Upon the Court ordering an Attorney to file a paternity case and/or prepare custody orders in a domestic case. At such time, the Indigent Services Attorney or Conflict Attorney shall prepare said orders in conformity with the law.
- v. If at any time either party believes that there is a reasonable possibility that the maximum amount will be exceeded in any fiscal year, the County and Indigent Services Attorneys shall meet and confer in an attempt to resolve any potential funding shortfall.
- vi. Hours that are expended by the Indigent Services Attorney or Conflict Attorney for any of the above situations shall be paid at a rate of sixty dollars (\$60.00) per hour.

h. **Child Support Enforcement, Limited Actions, GAL appointments in Domestic Cases, Criminal Appeals from District Court and other appointments by the Court not specified above.** It is understood by the parties that the County will establish a fund of ten thousand dollars (\$10,000.00) which is the maximum amount that may be paid under this contract in any given year for all miscellaneous appointments the Court deems necessary under the law. All such cases shall be paid at a rate of sixty dollars (\$60.00) per hour plus expenses.

- 4. **CASH BASIS AND BUDGET LAWS.** The right of the County to enter into this Contract is subject to the provisions of Kansas Statutes. This contract shall be construed and interpreted so as to ensure that the County shall at all times stay in conformity with such laws, and as a condition of this contract the County reserves the right to unilaterally sever, modify, or terminate this contract at any time if, in the opinion of its legal counsel, the contract may be deemed to violate the terms of such laws.
- 5. **PROFESSIONAL STANDARDS.** Professional legal services offered through this contract shall be provided in accordance with the standards set forth in the "Kansas Model Rules of Professional Conduct" and in compliance with all applicable state and federal laws and regulations.
- 6. **ACCOUNTING FOR SERVICES.** The Attorneys shall keep accurate time records and provided the same to County or its designated agent, the County Administrator, as required. Any and all individual client information gained by Attorneys under this contract shall remain confidential in accordance with the provisions of the Kansas Model Rules of Professional Conduct.
- 7. **EXPENSE REIMBURSEMENT.** Attorneys shall be allowed reimbursement of

expenses upon approval of the Presiding Judge. Billing for expenses shall be monthly, subject to approval by the Presiding Judge. Billing in excess of sixty-days (60) after the conclusion of the case may be denied. The term "expenses" shall incorporate by reference the provisions of the Board of Indigent Defense Services policy and procedure for authorization and approval of expenses.

8. **RELATIONSHIP BETWEEN COUNTY AND ATTORNEYS.** Attorneys shall be considered independent contractors, and not employees of County. Attorneys shall in no way be considered, nor in any way represent that they are employees or representatives of County.
9. **WORKING FACILITIES.** Attorneys shall maintain and provide support staff, para-professional staff and office equipment necessary to complete and carry out the terms and conditions of this contract at no cost to County. In addition, attorneys shall establish and keep regular business hours, subject to vacation and holidays, and during such time said attorney's office shall be managed by appropriate staff to assist the Court and other attorneys in the performance of this contract. Any attorney not meeting the requirements of this paragraph, upon decision of the District Court or the Board, may be denied appointments, payments suspended as of the first of the month following notification to the Board of the Court's decision regarding the attorney's performance or staffing requirements under this contract provision.
10. **CONFLICTS OF INTEREST.** Attorneys shall be responsible for and obligated to perform services as herein above set out for all cases, except only for those cases where there is a genuine conflict of interest. The County shall maintain a separate fund to compensate members of the Conflicts Panel; as set out above. Hourly Conflicts Panel attorneys shall appointed on a rotating basis. It is the responsibility of Attorneys to recruit Hourly Conflicts Attorneys and to develop individual contracts with members of the Hourly Conflicts Panel sufficient to fully meet its obligations to provide full professional legal services under this contract. It is understood and acknowledged that Hourly Conflict Panel Attorneys are appointed by the judges of the 25th Judicial District of Kansas and that their contractual payment amount will be forwarded directly to the County for payment under its separate fund. Should at any time the County feel that there is a reasonable possibility that insufficient funds are available to fully compensation members of the Hourly Conflict Panel, the County and Attorneys agree to meet and confer to discuss methods by which any potential financial shortfall can be avoided. Hourly Conflict Panel Attorneys shall be considered independent contractors, and not employees of either the County or Attorneys.
11. **MAXIMUM NUMBER OF APPOINTMENTS.** If at any time Attorneys believe that there is a reasonable possibility that the maximum number of appointments will be exceeded, the County and the Indigent Services Attorneys agree to meet and confer in an attempt to resolve any potential funding shortfall as a result of an excess number of cases.
12. **NON-ASSIGNABILITY.** Attorneys shall not assign this contract to any third party without the written consent of County which consent may not be unreasonably withheld.

13. **NOTICES.** Any notices pursuant to this contract shall be deemed sufficient, if in writing and sent by certified mail, return receipt request, to:

a. Randy Partington, County Administrator
Finney County Administrative Center
P.O. Box M
Garden City, Kansas 67846; AND

b. Indigent Services Attorneys at the names and addresses listed below.

14. **TERMINATION.** Attorneys shall be allowed to terminate their participation in this contract with sixty (60) days written notice and upon obtaining written consent of the County. Any attorney wishing to terminate his/her portion of the contract shall make every effort to find a replacement attorney prior to the anticipated termination date.

15. **SIGNATURE IN COUNTERPARTS.** This contract may be signed by the respective parties in counterparts once approved by the Board.

IN WITNESS WHEREOF, the parties have hereto executed this contract on the day and year first above written.

BOARD OF COUNTY COMMISSIONERS
OF FINNEY COUNTY, KANSAS

By: _____
Chairman of the Board

WITNESS:

Elsa Ulrich, County Clerk

Schultz Law Office, P.A.
309 E. Walnut
Garden City, KS 67846

BY: Gerald O. Schultz

William A. Wright
Wright Law Office
206 West Pine
Garden City, Kansas 67846

William A. Wright

Spencer & Spencer P.A.
P.O. Box 247
Oakley, Kansas 67748

By: Douglas C. Spencer

Craig & Gaede Law Office, P.A.
617 N. Main Street
Garden City, Kansas 67846

By: Gene H. Gaede

Calihan, Brown, Burgardt & Douglass, P.A.
212 West Pine
Garden City, Kansas 67846

By: Eric P. Fournier

Bors Law, P.A.
118 West Pine Street
Garden City, KS 67846

By: Lara Blake Bors

MEMORANDUM

TO: County Commission
THRU: Randy Partington, County Administrator
FROM:
DATE: July 10, 2017
RE: Jennie Barker Road

DISCUSSION:

Commissioners will discuss the direction that Finney County wishes to move with the improvement options and level of funding. Any decision on the amount of funding for Jennie Barker Road and the option of road improvement chosen is made, a proposal needs to be sent to the City of Garden City to see what if any amount of money they might be willing to set aside for the project.

BACKGROUND:

Finney County and the City of Garden City have been discussing improving Jennie Barker Road from Schulman Avenue (city limits) to just south of the K-156 Intersection for approximately 15 years. The road is a county road with various portions that are adjacent to the city limits of Garden City.

In 2016, the Finney County Commission dedicated \$1.5 million in funding for the Jennie Barker Road with the hopes that the City of Garden City would fund the same amount. At that time a rough estimate of \$3 million was being discussed. In 2017, the road project underwent a thorough engineering study that provided an updated cost estimate for improving the road and making it 3-lanes with the proper easements, utility relocation, right of way, sidewalks and the proper storm sewer system in place.

The estimates for the road improvements range from \$4.38 million (bituminous surface without storm sewer) to \$5.43 million (concrete pavement with storm sewer). Right of way acquisitions, easements and utility relocation are an additional \$507,000.

ALTERNATIVES:

Possible alternatives are as follows:

- Pay for county's portion of the engineering study and decide not to do road improvements at this time.
- Continue with the already committed \$1.5 million amount and see what improvements can be made with this amount and see if the city is willing to fund a portion of the project.
- Increase the amount of money that the county is willing to set aside that would be closer to half of the most recent engineering estimates and ask the city to contribute the other half.
- Set aside money to fund the full cost of the road improvements.

RECOMMENDATION:

Discussion item at this time.

FISCAL And/Or POLICY IMPACT:

Depends on the alternative chosen and any possible agreement with the City of Garden City.

ATTACHMENTS:

Description

Summary of Construction Estimates

Jennie Barker Rd. (Schulman Ave. to Mary St.) Summary of Construction Estimates

Project No.: W2016-010

12-Jun-17

Year	Estimate
2000 Construction Estimate (Bituminous Surfacing)	\$2,130,000
2004 Construction Estimate (Bituminous Surfacing)	\$2,035,000
2005 Construction Estimate (Bituminous Surfacing)	\$2,078,000
2009 Construction Estimate (Bituminous Surfacing)	\$2,480,000
2010 Construction Estimate (Bituminous Surfacing)	\$2,710,000
2017 Construction Estimate (Bituminous Surfacing)	\$4,380,000
2019 Construction Estimate (Bituminous Surfacing)	\$4,690,000
2025 Construction Estimate (Bituminous Surfacing)	\$5,550,000
2030 Construction Estimate (Bituminous Surfacing)	\$6,430,000

2017 Pavement and Storm Sewer Comparison	Estimate
Bituminous Surfacing without oversized Storm Sewer	\$4,380,000
Bituminous Surfacing with oversized Storm Sewer	\$4,750,000
Concrete Pavement without oversized Storm Sewer	\$5,055,000
Concrete Pavement with oversized Storm Sewer	\$5,430,000

Note:

Construction Estimates has been normalized to show only Construction Costs, 10% Contingency, 10% Engineering, and 15% Inspection for all years. The utility relocations, right-of-way, and easements costs are not included.

Right-of-Way Acquisitions, Easements, and Utility Relocations	Estimate
Right-of-Way Acquisitions (Estimated 0.37 Acres needed @ \$10/sf) =>	\$165,000
Temporary Easements (Estimated 2.88 Acres needed @ \$3/sy) =>	\$42,000
Utility Relocations	\$300,000



MEMORANDUM

TO: County Commission
THRU: Randy Partington, County Administrator
FROM:
DATE: July 10, 2017
RE: Horse Thief Reservoir Board Re-Appointment

DISCUSSION:

Authorization to re-appoint Henry Reed as a representative on the Horse Thief Reservoir District Board for a two year term

RECOMMENDATION:

Approve Henry Reed Appointment

ATTACHMENTS:

Description
Horse Thief Reservoir

Horse Thief Reservoir Benefit District Summary of long-term financing for the reservoir project

Overview:

Due to the passage of a voter referendum in four Kansas Counties, (Finney, Ford, Gray and Hodgeman) an additional .15% was added to the existing sales tax collected in the four counties. The additional .15% sales tax revenue is collected by the State of Kansas and the .15% sales tax proceeds are monthly transferred to the bond trustee (Security Bank of Kansas City for semi-annual debt service on a Series 2005, Series 2007 and Series 2013 bond issues. Also, provisions in the Series 2005 Indenture, provide for an annual operational and maintenance fund, reserve fund as well as a \$2 million dollar endowment fund during the lifetime of the bond issues. Proceeds from the three bond issues were used to acquire land, construct a 6,000 feet earthen dam and develop the acquired land for public recreational use. Bond proceeds are not used for operation of the park and are only used for the project development. Camping, fishing and day use areas would be managed and a user fee amount is collected. Park fees are separate from sales tax proceeds and not used in the debt service payment on the bond issues.

County breakdown of sales tax revenue as provided by the State of Kansas Office of Policy and Research (KsDeptRev) for 2016

Finney County: \$1,162,199.77

Ford County: \$ 863,593.87

Gray County: \$94,715.00

Hodgeman Co: \$22,395.93

Unknown: \$42.02

\$10,000,000 Series 2005 dtd 12/28/2005 (12 year maturity schedule) Bond Payoff 12/1/17

\$ 4,500,000 Series 2007 dtd 8/1/2007 (12 year maturity schedule) Bond Payoff 12/1/19

\$ 2,100,000 Series 2013 dtd 4/1/2013 (8 year maturity schedule) Bond Payoff 12/1/21

The Series 2005 bond issue: \$10,000,000.

Initial bond issue proceeds used for the acquisition of land and primary dirt work associated with the construction of the dam and lake basin. Access roads both public use and park use only are also included along with some provisions for boating and camping facilities as initially planned. Semi-annual interest (fixed interest rate of 4.45%) and principal maturities, 6/1 & 12/1 with a final maturity date of 12/1/2017 and a balloon principal payment of \$3,750,000

The bond issue was purchased by one bondholder, Bank of America

The Series 2007 bond issue: \$4,500,000.

Bond Issue for additional dirt work associated with the dam construction, roads, park facilities and improvements.

Semi-annual interest (fixed interest rate of 4.95%) and principal maturities, 6/1 & 12/1 with a final maturity date of 12/1/2019 and a balloon principal payment of \$2,400,000

The bond issue was purchased by one bondholder, Bank of America

The Series 2013 bond issue: \$2,100,000.

Second bond issue for park facilities and improvements.

Semi-annual interest (fixed interest rate of 2.95%) and principal maturities, 6/1 & 12/1 with a final maturity date of 12/1/2021 and a final principal payment of \$525,000

The bond issue was purchased by one bondholder, Emprise Bank

As of 12/31/15 and annually until the maximum of \$2,000,000 is achieved, the bond Trustee will transfer \$500,000 from the Sales Tax Revenue fund, to the Operations and Maintenance Reserve Fund. With the authorization of the HTR board of directors, the funds will be invested under the investment restrictions of the Series 2005 Indenture. Steve Shogren, Senior Vice President; George K. Baum & Company, the Financial Advisor of the bond issues was consulted on the provision of the Indenture and the funding of the Operations and Maintenance Reserve Fund.



INDEPENDENT AUDITORS' REPORT

The County Commissioners
Finney County, Kansas
Garden City, Kansas 67846

Report on the Financial Statements

We have audited the accompanying regulatory basis fund summary statement of receipts, expenditures and unencumbered cash of Finney County, Kansas, and selected related municipal entities including the Finney County Convention and Visitors Bureau, the Finney County Extension Council, and the Finney County Public Library, as of and for the year ended December 31, 2016, and the related notes to the financial statement, which collectively comprise Finney County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by Finney County, Kansas, on the basis of the accounting practices prescribed or permitted by the State of Kansas to demonstrate compliance with the regulatory basis of accounting per the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of each fund of Finney County, Kansas, and selected related municipal entities including the Finney County Convention and Visitors Bureau, the Finney County Extension Council, and the Finney County Public Library, as of December 31, 2016, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of Finney County, Kansas, and the related municipal entities including the Finney County Convention and Visitors Bureau, the Finney County Extension Council, and the Finney County Public Library, as of December 31, 2016, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the regulatory basis fund summary statement of receipts, expenditures and unencumbered cash balances (basic financial statement) as a whole. The regulatory basis summary of expenditures - actual and budget, the regulatory basis individual fund schedules of receipts and expenditures - actual and budget and the regulatory basis schedule of receipts and disbursements - agency funds (Schedules 1, 2 and 3 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement; however, they are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. In addition, the other supplemental information (Schedules 4 through 7 as listed in the table of contents) which includes the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information, including the Schedule of Expenditures of Federal Awards, is fairly stated, in all material respects, in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

The 2015 actual columns presented in the regulatory basis individual fund schedules of receipts and expenditures - actual and budget (Schedules 2 and 4 as listed in the table of contents) are also presented for comparative analysis and are not a required part of the 2015 financial statement upon which we rendered an unmodified opinion dated May 4, 2016. The 2015 financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://admin.ks.gov/offices/chief-financial-officer/municipal-services>. Such 2015 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2015 financial statement. The 2015 comparative information was subjected to the auditing procedures applied in the audit of the 2015 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2015 financial statement or to the 2015 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2015 comparative information is fairly stated in all material respects in relation to the 2015 financial statement as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2017, on our consideration of Finney County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Finney County's internal control over financial reporting and compliance.



LEWIS, HOOPER & DICK, LLC

June 12, 2017

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Financial Statement

STATEMENT 1

FINNEY COUNTY, KANSAS
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2016

General Funds	Fund	Unencumbered Cash (Deficit) 01/01/16	Receipts	Expenditures	Unencumbered Cash (Deficit) 12/31/16	Add Payables and Encumbrances	Treasurer's Cash (Deficit) 12/31/16
General		\$ 4,361,751	\$ 15,643,831	\$ 15,499,749	\$ 4,505,833	\$ 497,073	\$ 5,002,906
Special Purpose Funds							
	Aging	9,451	294,192	297,000	6,643	-	6,643
	Alcohol Programs	3,193	13,354	10,000	6,547	-	6,547
	Ambulance	947,278	1,294,295	1,536,691	704,882	33,516	738,398
	Bioterrorism Grant	27,814	29,585	17,105	40,094	751	40,845
	Building and Road Maintenance Program	908,902	1,018,412	831,264	1,096,050	-	1,096,050
	Capital Improvement Reserve	1,595,426	272,658	233,200	1,634,884	-	1,634,884
	Community Correction	213,476	577,348	594,783	196,041	8,084	204,125
	Community Services Center	-	36,313	5,383	30,930	1,147	32,077
	County Attorney's Training	21,272	6,075	4,141	23,206	-	23,206
	County Employee Benefit	6,089,425	2,865,820	3,685,009	5,270,236	333,710	5,603,946
	Economic Development	3,263	125,318	125,000	3,579	-	3,579
	Economic Development Incentive	1,286,551	181,139	4,998	1,462,692	-	1,462,692
	E911 Services	12,105	72,914	85,019	-	-	-
	Finney County Fair Association	16,315	103,411	99,546	20,180	-	20,180
	Free Fair and Fair Grounds	245,481	465,435	494,410	216,506	24,876	241,382
	GIS	199,987	160,394	209,688	150,693	1,639	152,332
	Guest Tax	5,632	906,743	750,000	162,375	-	162,375
	Health	353,461	1,672,967	1,648,729	377,699	33,847	411,546
	Historical Museum	5,537	208,477	210,000	4,014	-	4,014
	Jail Commissary and Telephone	99,110	139,443	165,537	73,016	13,574	86,590
	Juvenile Detention Center	350,006	1,432,191	1,429,856	352,341	28,757	381,098
	Juvenile Detention Center Building	26,770	10,048	-	36,818	-	36,818
	Juvenile Detention Center Grants	18,208	25,701	32,702	11,207	-	11,207
	Library Maintenance	22,021	950,334	956,398	15,957	-	15,957
	Intellectual Disability Services	7,670	186,264	190,000	3,934	-	3,934
	Noxious Weed	3,328	369,027	296,433	75,922	3,588	79,510
	Noxious Weed Capital Outlay	69,922	-	-	69,922	-	69,922
	Oil & Gas Valuation Depletion Trust	4,808,627	-	1,842,430	2,966,197	-	2,966,197
	Parks and Recreation	5,321	13,354	7,932	10,743	-	10,743
	County Clerk's Technology	8,064	9,721	3,027	14,758	-	14,758
	Register of Deeds' Technology	45,579	46,215	2,328	89,466	-	89,466
	County Treasurer's Technology	5,533	9,721	7,088	8,166	-	8,166
	Road and Bridge	801,669	3,858,487	4,319,938	340,218	48,651	388,869
	Special Alcohol and Drug	90	1	-	91	-	91
	Special Highway Improvement	4,811,040	1,286,452	818,928	5,278,564	-	5,278,564
	Special Road Machinery and Equipment	1,093,451	337,654	387,833	1,043,272	86,591	1,129,863
	Sheriff's Crime Prevention	1,101	18,748	14,709	5,140	-	5,140
	Sheriff's Special Account	158	1,000	100	1,058	-	1,058
	Federal and State Forfeiture	49,565	28,461	15,572	62,454	-	62,454
	State Drug Tax Assessment	14,740	16,667	30,608	799	-	799
	Women, Infants and Children Grant	(144,036)	406,630	423,196	(160,602)	6,794	(153,808)
	Youth Services	(3,680)	665,379	511,895	149,804	4,988	154,792
	Total Special Purpose	24,038,626	20,116,346	22,298,476	21,856,496	630,513	22,487,009
Capital Project Funds							
	LEC/Courthouse Improvements	474,224	164	232,949	241,439	3,600	245,039
	Correction Services Building	4,865,039	1,026,841	4,844,550	1,047,330	16,467	1,063,797
	Total Capital Project	5,339,263	1,027,005	5,077,499	1,288,769	20,067	1,308,836
Business Funds							
	Landfill	830,015	144,503	23,813	950,705	-	950,705
	Sewer District #1	318,353	94,396	80,440	332,309	4,398	336,707
	Sewer District #2	33,941	43,235	22,694	54,482	1,073	55,555
	Sewer District #3	50,981	92,347	67,518	75,790	16,697	92,487
	Sewer District #3 Bond and Interest	(26,409)	56,807	49,438	(19,040)	-	(19,040)
	Total Business	1,206,861	431,288	243,903	1,394,246	22,168	1,416,414
Trust Funds							
	CDBG Revolving Loan Fund	277,650	22,638	567	299,721	-	299,721

(continued)

FINNEY COUNTY, KANSAS
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2016

Fund	Unencumbered Cash (Deficit) 01/01/16	Receipts	Expenditures	Unencumbered Cash (Deficit) 12/31/16	Add Payables and Encumbrances	Treasurer's Cash (Deficit) 12/31/16
(continued)						
<u>Related Municipal Entities</u>						
Finney County Convention & Visitors Bureau	\$ 106,944	\$ 756,682	\$ 640,679	\$ 222,947	\$ 963	\$ 223,910
Finney County Extension Council	145,693	255,405	219,182	181,916	-	181,916
Finney County Public Library:						
General	133,360	1,040,800	1,047,501	126,659	-	126,659
Capital Improvements	128,159	30,937	19,541	139,555	-	139,555
Total Related Municipal Entities	514,156	2,083,824	1,926,903	671,077	963	672,040
 Total Municipal Entity (excluding Agency Funds) (memorandum only)	<u>\$ 35,738,307</u>	<u>\$ 39,324,932</u>	<u>\$ 45,047,097</u>	<u>\$ 30,016,142</u>	<u>\$ 1,170,784</u>	<u>\$ 31,186,926</u>
 <u>Composition of Cash</u>						
Demand deposits:						
Commerce Bank					\$ 236,513	
Western State Bank					890,287	
Plus deposits in transit					11,745	
Less outstanding checks					(125,754)	
Total demand deposits						\$ 1,012,791
Cash on hand						7,516
Change funds						345
Time deposits:						
Commerce Bank					2,782,955	
Western State Bank					7,388,146	
First National Bank					45,292,189	
American State Bank					3,212,660	
Plus deposits in transit					10,177,814	
Less outstanding checks					(399,916)	
Total time deposits						68,453,848
Total cash						69,474,500
Less Agency Funds per Schedule 3						(38,959,614)
Plus related municipal entities						672,040
Total Treasurer's cash (excluding Agency Funds)						<u>\$ 31,186,926</u>

The accompanying Notes to the Financial Statement are an integral part of this statement.

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Notes to the
Financial Statement

FINNEY COUNTY, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2016

1. Summary of significant accounting policies

Finney County, Kansas, (the County) was established in 1887 and is an organized county having the powers, duties and privileges granted to counties by K.S.A. 19-101.

A. Financial reporting entity

The County is a municipal corporation governed by an elected five-member commission. This financial statement presents Finney County (the municipality) and selected related municipal entities. The related municipal entities discussed below are included in the County's reporting entity because they were established to benefit the County and/or its constituents.

Sewer District #1, Sewer District #2 and Sewer District #3 operate the County's sewer districts. The Board of each district consists of the County Commissioners. The County Commissioners approve the sewer districts' budgets and levy taxes for operations. The sewer improvements and equipment are titled to the County. Bond issuances must be approved by the County. The sewer districts have been determined to be blended related municipal entities created under K.S.A. 19-27a01. Sewer District #1, Sewer District #2 and Sewer District #3 are presented in these financial statements as business funds.

The Southwest Kansas Regional Juvenile Detention Center is a jointly governed organization between eighteen counties in southwest Kansas created under an interlocal agreement. The Southwest Kansas Regional Juvenile Detention Center is governed by a board appointed by the participating parties. The Southwest Kansas Regional Juvenile Detention Center was established to operate a juvenile correctional facility located in Garden City, Kansas. The primary source of funding for the Southwest Kansas Regional Juvenile Detention Center is from the participating parties with additional support from grants. Finney County functions as the operator of the Southwest Kansas Regional Juvenile Detention Center. Finney County has an equity interest and is a material contributor to the continued existence of the Southwest Kansas Regional Juvenile Detention Center. The Southwest Kansas Regional Juvenile Detention Center is presented in these financial statements as a special purpose fund.

The Finney County Convention and Visitors Bureau operates the County's Convention and Visitors Bureau and provides services for the residents of Finney County. It has its own Board of Directors, who operates independently from the County. The Board of Directors is responsible for the management and fiscal accountability of the Convention and Visitors Bureau. The Board is appointed by the County Commission, which also has the authority to remove appointed Board members. The County Commissioners approve the Convention and Visitors Bureau's budget and collect/disburse to them the proceeds from the County's guest bed tax for their operations. The Finney County Convention and Visitors Bureau is presented as a related municipal entity in these financial statements.

The Finney County Extension Council provides services in such areas as agriculture, home economics and 4-H clubs to all persons in the County. The Council is governed by an elected executive board. The County levies taxes for the support of the Council. The Finney County Extension Council is presented as a related municipal entity in these financial statements.

FINNEY COUNTY, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2016

1. Summary of significant accounting policies (continued)

A. Financial reporting entity (continued)

The Finney County Public Library operates the County's library and provides services for the residents of Finney County. It has its own Board of Directors, who operates independently from the County. The Board of Directors is responsible for the management and fiscal accountability of the Public Library. The Board is appointed by the County Commission, who also has the authority to remove appointed Board members. The County Commissioners approve the Library's budget and levy taxes for library operations. The library building is titled to the Library Board and was financed with Finney County general obligation bonds retired in part by tax levy and in part by private donation. Bond issuances for the Library's benefit must be approved by the County. The Finney County Public Library is presented as a related municipal entity in these financial statements.

B. Regulatory basis of accounting and departure from accounting principles generally accepted in the United States of America

The *Kansas Municipal Audit and Accounting Guide* regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

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

C. Regulatory basis fund types

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following fund types are used by the County:

General fund – the chief operating fund; used to account for all resources except those required to be accounted for in another fund.

Special Purpose funds – used to account for the proceeds of specific tax levies and other specific receipt sources (other than capital project and tax levies for long-term debt) that are intended for specified purposes.

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

FINNEY COUNTY, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2016

1. Summary of significant accounting policies (continued)

C. Regulatory basis fund types (continued)

Capital Project funds – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business funds – funds financed in whole or in part by fees charged to users of the goods or services (i.e., enterprise and internal service fund etc...).

Trust funds – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e., pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc...).

Agency funds – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (i.e., payroll clearing fund, county treasurer tax collection accounts, etc...).

D. Cash and investments

Cash resources of the individual funds are combined to form a pool of cash and investments which is managed by the County (except for investments in the Kansas Municipal Investment Pool). Cash includes amounts in demand deposits, time deposits and certificates of deposit. Investments of the pooled accounts consist primarily of investments in the Kansas Municipal Investment Pool and U.S. government securities carried at cost, which approximates market. Interest income earned, unless specifically designated, is allocated to the general fund.

E. Property taxes and special assessments

The determination of assessed valuations and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the counties. The County Appraiser annually determines assessed valuations based on real property transactions as recorded by the Register of Deeds and personal property holdings reported by taxpayers. The County Clerk spreads the annual assessment on the tax rolls and the County Treasurer collects the taxes for all taxing entities within the County.

Taxes are assessed on a calendar year basis, are levied and become a lien on the property on November 1st of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the County Treasurer from distributing the taxes collected in the year levied prior to January 1st of the ensuing year. One-half of the property taxes are due December 20th and distributed by January 20th to finance a portion of the current year's budget. The second half is due May 10th and distributed by June 5th.

FINNEY COUNTY, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2016

1. Summary of significant accounting policies (continued)

E. Property taxes and special assessments (continued)

Kansas statutes require projects financed in part by special assessments to be financed through the issuance of general obligation bonds which are secured by the full faith and credit of the County. Special assessments received prior to or after the issuance of general obligation bonds are recorded as receipts in the appropriate project fund. Further, state statutes require levying additional general ad valorem property taxes in the Bond and Interest fund to finance delinquent special assessments receivable.

Special assessments are levied over a ten or fifteen year period and annual installments are due and payable with annual ad valorem property taxes. The County may foreclose liens against property benefited by special assessments when delinquent assessments are two years in arrears. At December 31, 2016, the special assessment taxes levied are a lien on the property.

F. Interfund transactions and reimbursements

Quasi-external transactions (i.e., transactions that would be treated as receipts or expenditures if they involved organizations external to the governmental unit, such as internal service fund billings to departments) are accounted for as receipts or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

G. Memorandum totals

Totals on the financial statement are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. No consolidated financial information is presented nor are all required disclosures presented for these amounts.

2. Stewardship, compliance and accountability

A. Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

FINNEY COUNTY, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2016

2. Stewardship, compliance and accountability (continued)

A. Budgetary information (continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the County for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budget expenditure authority lapses at year end.

A legal operating budget is not required for capital project funds, trust funds and the following special purpose funds:

- Bioterrorism Grant
- Capital Improvement Reserve
- Community Correction
- County Attorney's Training
- Finney County Fair Association
- Jail Commissary and Telephone
- Juvenile Detention Center Grants
- Oil & Gas Valuation Depletion Trust
- County Clerk's Technology
- Register of Deeds' Technology
- County Treasurer's Technology
- Special Alcohol and Drug
- Special Highway Improvement
- Special Road Machinery and Equipment
- Sheriff's Crime Prevention
- Sheriff's Special Account
- Federal and State Forfeiture
- State Drug Tax Assessment
- Women, Infants & Children Grant
- Youth Services

Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes or by the use of internal spending limits established by the governing body.

FINNEY COUNTY, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2016

2. Stewardship, compliance and accountability (continued)

B. Compliance with Kansas statutes

References made herein to the statutes are not intended as interpretation of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and the legal representative of the County.

There are no known material violations of Kansas statutes for the year ended December 31, 2016, although deficit unencumbered cash balances occurred as discussed in Note 2C.

C. Deficit unencumbered cash

The following funds had deficit unencumbered cash balances as of December 31, 2016:

Women, Infants and Children Grant	\$ 160,602
Sewer District #3 Bond and Interest	19,040
County Treasurer - Payroll	12,928

Grant funds and other reimbursements were due to the County at year end to cover the deficits in the Women, Infants and Children Grant and the Payroll Account. Special assessments, adequate to cover the deficit, are due to the Sewer District #3 Bond and Interest fund.

3. Detailed notes on all funds

A. Deposits and investments

A reconciliation of cash and investments as shown in the composition of cash on the summary Statement 1 is as follows:

Cash on hand	\$ 7,861
Carrying amount of deposits	<u>69,466,639</u>
Total cash and investments	<u><u>\$ 69,474,500</u></u>

K.S.A. 9-1401 establishes the depositories which may be used by the County. The statute requires banks eligible to hold the County's funds have a main or branch bank in the County, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The County has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the County's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The County has no investment policy that would further limit its investment choices.

FINNEY COUNTY, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2016

3. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

Concentration of credit risk

State statutes place no limit on the amount the County may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk - deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require the County's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City or the Federal Home Loan Bank of Topeka except during designated "peak periods" when required coverage is 50%. The County does not use designated "peak periods".

At December 31, 2016, the County's carrying amount of deposits was \$69,466,639 and the bank balance was \$59,802,750. Of the bank balance, 89.6% was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$46,788,704 was covered by federal depository insurance, \$13,014,046 was collateralized with securities held by the pledging financial institutions' agents in the County's name. The County's cash deposits by financial institution and category of coverage at year end are as follows:

	Commerce Bank	Western State Bank	First National Bank	American State Bank
FDIC coverage	\$ 486,513	\$ 760,002	\$ 45,292,189	\$ 250,000
Pledged securities at market value	2,749,369	18,070,998	-	3,077,057
Total coverage	<u>\$ 3,235,882</u>	<u>\$ 18,831,000</u>	<u>\$ 45,292,189</u>	<u>\$ 3,327,057</u>
Funds on deposit	<u>\$ 3,019,468</u>	<u>\$ 8,278,433</u>	<u>\$ 45,292,189</u>	<u>\$ 3,212,660</u>
Funds at risk	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The carrying amount of deposits for the Finney County Convention and Visitors Bureau was \$223,910 and the bank balance was \$232,767. The bank balance was held by one bank resulting in a concentration of credit risk. All of the bank balance was covered by federal depository insurance.

The carrying amount of deposits for the Finney County Extension Council was \$181,916 and the bank balance was \$196,626. The bank balance was held by two banks resulting in a concentration of credit risk. All of the bank balance was covered by federal depository insurance.

The carrying amount of deposits for the Finney County Public Library was \$266,214 and the bank balance was \$268,425. The bank balance was held by one bank resulting in a concentration of credit risk. All of the bank balance was covered by federal depository insurance.

FINNEY COUNTY, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2016

3. Detailed notes on all funds (continued)

A. Custodial credit risk – deposits (continued)

Credit risk - investments

Custodial credit risk for an investment is the risk that, in the event of the failure of the issuer or counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

B. Capital projects in process

Capital project authorizations, including related municipal entities, with approved change orders compared to disbursements and accounts payable to date from inception are as follows at December 31, 2016:

Project	Project Authorization	Disbursements and Accounts Payable to Date	Committed
2016 Bituminous Surfacing project	\$ 1,476,151	\$ 1,506,195	\$ -
2016 Sealing project	503,628	421,969	-
Correction Services Center project	6,625,000	7,551,834	-
Lake Road bridge project	606,931	197,491	409,440

C. Long-term debt

Changes in long-term debt for the County for the year ended December 31, 2016, were as follows:

	Date of Issue	Maximum Rate	Amount of Issue	Date of Final Maturity	Balance 01/01/16	Additions	Reductions/ Payments	Balance 12/31/16	Interest Paid
Limited obligation bonds payable:									
Sales Tax, Series 2014	08/01/14	3.50%	6,625,000	10/01/25	\$ 6,155,000	\$ -	\$ 525,000	\$ 5,830,000	\$ 174,331
Total limited obligation bonds payable					6,155,000	-	525,000	5,830,000	174,331
Revenue bonds payable:									
Sewer Improvement - Series 2002	06/03/02	4.75%	848,500	06/01/42	725,000	-	15,000	710,000	34,438
Total revenue bonds payable					725,000	-	15,000	710,000	34,438
Capital leases payable:									
Emergency radio communications system	12/31/08	3.82%	1,380,000	01/01/16	120,218	-	120,218	-	2,194
Volvo motor grader	05/11/09	4.00%	189,000	05/11/16	100,000	-	100,000	-	-
Volvo motor grader	05/11/09	4.00%	189,000	05/11/16	100,000	-	100,000	-	-
Caterpillar Motorgraders	01/13/16	2.35%	620,282		-	620,282	83,980	536,282	-
Total capital leases payable					320,218	620,282	404,198	536,282	2,194
Total long-term debt					\$ 7,200,218	\$ 620,282	\$ 944,198	\$ 6,876,282	\$ 210,963

FINNEY COUNTY, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2016

3. Detailed notes on all funds (continued)

C. Long-term debt (continued)

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	2017	2018	2019	2020	2021	Year 2022-2026	2027-2031	2032-2036	2037-2041	2042	Total
Principal:											
Limited obligation bonds payable	\$ 545,000	\$ 560,000	\$ 560,000	\$ 600,000	\$ 625,000	\$ 2,720,000	\$ -	\$ -	\$ -	\$ -	\$ 5,830,000
Revenue bonds payable	15,000	15,000	15,000	15,000	15,000	100,000	130,000	160,000	200,000	45,000	710,000
Capital leases payable	71,378	73,055	74,772	76,529	78,329	162,220	-	-	-	-	539,282
Total principal	831,378	848,055	869,772	891,529	718,328	2,982,220	130,000	160,000	200,000	45,000	8,876,282
Interest:											
Limited obligation bonds payable	158,581	142,231	125,431	108,031	90,031	178,002	-	-	-	-	802,307
Revenue bonds payable	33,725	33,013	32,300	31,588	30,875	141,312	115,187	81,700	40,138	2,137	541,975
Capital leases payable	12,803	10,925	9,209	7,451	5,653	5,740	-	-	-	-	51,581
Total interest	204,909	186,169	166,940	147,070	126,559	325,054	115,187	81,700	40,138	2,137	1,395,883
Total principal and interest	\$ 836,287	\$ 834,224	\$ 836,712	\$ 838,599	\$ 844,887	\$ 3,307,274	\$ 245,187	\$ 241,700	\$ 240,138	\$ 47,137	\$ 8,272,145

Legal debt margin

The debt limit per K.S.A. 10-306 is three percent of the assessed tangible valuation within the County as certified by the County Assessor to the County Clerk on August 25th each year. Per K.S.A. 10-307, certain bond issues are not subject to the bonded indebtedness limitation; these include refunding bonds and limited obligation bonds issued for the purpose of financing the construction and remodeling of the courthouse, jail and law enforcement center, to be paid from sales tax proceeds. The amount of debt outstanding does not exceed the statutory limit.

Conduit debt obligations

From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2016, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$780,985.

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FINNEY COUNTY, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2016

3. Detailed notes on all funds (continued)

D. Interfund transfers

Interfund operating transfers were as follows:

From	To	Statutory Authority	
General	Capital Improvement Reserve	19-120	\$ 112,983
General	Economic Development Incentives		125,000
General	GIS	79-1946	80,000
General	Juvenile Detention Center	79-1946	442,979
Ambulance	Capital Improvement Reserve	19-120	75,000
County Employee Benefit	Health		350,000
Free Fair and Fair Grounds	Finney County Fair Association	2-132	53,000
Free Fair and Fair Grounds	Capital Improvement Reserve	19-120	24,675
GIS	Capital Improvement Reserve	19-120	40,000
Health	Capital Improvement Reserve	19-120	20,000
Juvenile Detention Center	Juvenile Detention Center		
	Building	38-504	10,000
Road and Bridge	Special Highway	68-590	1,025,000
Road and Bridge	Special Road Machinery and Equipment	68-141g	150,000
Total			<u>\$ 2,508,637</u>

Interfund operating transfers of the Finney County Public Library, a related municipal unit, were as follows:

From	To	Statutory Authority	
General	Capital Improvement	12-1258	\$ 28,043

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FINNEY COUNTY, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2016

4. Other information

A. Risk management and self-insurance

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

The County has partially self-funded employees' health care costs. "Stop loss" coverage is maintained for claims above \$4,096,136 at December 31, 2016. Payments for medical insurance premiums and self-insured medical costs not covered by the insurance carrier are paid out of the Employee Benefit fund as they are billed to the County.

B. Municipal solid waste landfill

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs are paid only near or after the date that the landfill stops accepting waste, the County has reported a portion of these closure and post-closure care costs as an operating expense in previous periods based on landfill capacity used as of each fiscal year end. The County has no landfill closure and post-closure care liability at December 31, 2016. The County completed transfer and sale of the landfill in 2000, and its permit was absorbed by Browning-Ferris Industries of Western Kansas, Inc.

C. Post-employment health care benefits

As provided by K.S.A. 12-5040, the County allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the County is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the County makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the County under this program.

D. Compensated absences

The County's policy regarding vacation leave pay permits employees to earn vacation leave days at a maximum rate of 24 days per year; employees can carryover a maximum of 24 days to the following year. Upon resignation or retirement, employees are entitled to payment for all accrued vacation earned up to a special cap of 30 days provided they give their department head and the County Commission two weeks written notice. If an employee fails to give the two weeks written notice, no accrued vacation earned is paid unless a waiver is agreed to by the department head and the County Commissioners. Upon termination, payment is made to an employee for the accrued vacation leave.

The County's policy regarding sick leave pay permits employees to accumulate leave days at a maximum rate of 12 days per year up to 60 days. The County's policy is to recognize the costs of sick leave when actually paid since employees are not reimbursed for unused sick leave when they leave the County's employ.

FINNEY COUNTY, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2016

4. Other information (continued)

D. Compensated absences (continued)

The Finney County Convention and Visitors Bureau's policy regarding vacation leave pay permits employees to earn vacation leave days at a maximum rate of 24 days per year; employees can carryover a maximum of 24 days to the following year. Upon resignation, retirement, or termination, employees are entitled to payment for a maximum of 30 days accrued vacation earned.

The Finney County Extension Council's policy regarding vacation leave pay permits employees to earn vacation leave days at a maximum rate of 22 days per year; employees can carryover a maximum of 38 days to the following year. Upon resignation or retirement, employees are entitled to payment for a maximum of 22 days accrued vacation earned.

E. Defined benefit pension plan

Plan description: Finney County, Kansas, participates in the Kansas Public Employees Retirement System ("KPERS"), a cost sharing, multiple-employer defined benefit pension plan as provided by K.S.A 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publically available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions: K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate through March 31, 2016, with a 0% moratorium until June 30, 2017, for the Death and Disability Program) and the statutory contribution rate was 9.18% for the fiscal year ended December 31, 2016. Contributions to the pension plan from Finney County, Kansas were \$1,274,500 for the year ended December 31, 2016.

Net pension liability: At December 31, 2016, the County's proportionate share of the collective net pension liability reported by KPERS was \$11,898,947. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. The County's proportion of the net pension liability was based on the ratio of the County's contributions to KPERS, relative to the total employer and nonemployer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

FINNEY COUNTY, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2016

4. Other information (continued)

E. Defined benefit pension plan (continued)

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

Employees of the Finney County Extension Council, a related municipal entity, also participate in the Kansas Public Employees Retirement System. All contribution requirements were met by the related municipal entity and its employees. Contributions to the pension plan from Finney County Extension Council were \$3,417 for the year ended December 31, 2016, and the Council's proportionate share of the collective net pension liability reported by KPERS was \$30,507.

F. Commitments and contingencies

Litigation

The County is named as a party in various lawsuits. Most of these lawsuits are in the discovery stages and the effect, if any, on the County is not determinable at this time; in the opinion of management, the ultimate outcome of these lawsuits will not have a material adverse effect on the County.

Grant audits

The County participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors, their representatives and/or the Uniform Guidance requirements. As of December 31, 2016, there were no known material questioned or disallowed costs as a result of grant audits completed or in process.

Operating leases

The County has entered into operating lease agreements for the use of facilities and equipment. Lease payments under these agreements totaled \$38,909 for the year ended December 31, 2016. Total future minimum lease payments are \$37,982 through 2017.

Contracts - Finney County Public Library

On December 18, 2006, the Library Board of Trustees entered into a contract with Library Systems & Services, LLC for the management and operation of the Finney County Public Library. The contract was effective for the period January 1, 2007, through December 31, 2011, with annual renewal options thereafter. The fees under this contract for 2016 are \$1,002,065.

On September 29, 2016, the Library Board of Trustees entered into an updated contract with the Library Systems and Services, LLC effective for the period January 1, 2017, through December 31, 2021, with fees as follows:

Year	Total
2017	\$ 958,616
2018	982,582
2019	1,007,147
2020	1,032,326
2021	1,058,135
Total	<u>\$ 5,038,806</u>

FINNEY COUNTY, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2016

4. Other information (continued)

G. Related party transactions

Various departments and funds within the County provide goods and services to other operating departments. Charges for these services are billed in the same manner such services would be billed to the general public and are handled as arm's length transactions in the normal course of business.

H. Subsequent events

Subsequent to December 31, 2016, the County accepted bids totaling \$1,179,797 for 2017 road projects, and for \$134,917 to purchase an ambulance.



MEMORANDUM

TO: County Commission
THRU: Randy Partington, County Administrator
FROM:
DATE: July 10, 2017
RE: Executive Session - Non Elected Personnel

DISCUSSION:

Individual employee's performance discussed pursuant to KSA 75-4319 (b) (1)

RECOMMENDATION:

N/A



MEMORANDUM

TO: County Commission
THRU: Randy Partington, County Administrator
FROM:
DATE: July 10, 2017
RE: 2018 Budget Discussion

DISCUSSION:

The Commission will have a preliminary discussion of the 2018 budget. On Monday, July 17th, the auditors will hold the official budget presentation with the hopes of the county setting the maximum funding amounts at that time.

RECOMMENDATION:

Discussion item



MEMORANDUM

TO: County Commission
THRU: Randy Partington, County Administrator
FROM:
DATE: July 10, 2017
RE: Next Commission Meetings - Monday, 7/17/2017 and Monday, 8/7/2017

DISCUSSION:

Update on future meetings

RECOMMENDATION:

For Your Information