Reader's Guide to the Budget Document

Thank you for your interest in the City of Osage City's government. Elected leaders and City staff welcome your involvement. Aware, engaged citizens are the cornerstone of good local government. In reviewing this budget document, readers have the opportunity to educate themselves about and become involved in the organization that most directly affects the quality of life for the Osage City community.

Why We Budget

The budget document is one of the City's most essential policy and operating tools. The budget document describes how the City of Osage City plans to use its resources to meet the needs of the community. It is also a resource for citizens interested in learning more about the operation of their City government.

The City budget fulfills several functions:

- At its most basic level, the budget is an *accounting document*. It establishes the basic guidelines that the City uses to measure and control expenditures and to track its revenues.
- The budget also serves as an *operational guide*. It identifies work programs and goals to be achieved for each department or unit in the coming fiscal year.
- At the highest level, the budget is an important *policy document.* The annual budget process is the one time during the year when all of the City operations and processes are reviewed in a comprehensive manner. The City reviews the needs of the community, priorities, and goals and then matches resources against those needs, priorities, and goals. Resources are limited, so choices must be made. The annual budget reflects those choices.
- Finally, throughout all levels, the budget is a *communications tool*. It is one of the means that the City uses to explain the various demands, needs, constraints, resources, and opportunities it faces. It communicates the choices made and the direction in which the City is headed.

As readers review the information in this document, they will see the elements of each of these aspects of a budget.

The Budget's Story: Making Sense of the Budget Document

The City of Osage City's budget document is divided into six primary sections as presented below. This structure is important because it gives you, the reader, insight into the structure of the organization. Through the structure of its departments and programs, you can see how the investment you make in the City through property and sales taxes, activity fees, utility payments, and other contributions comes in and flows through the organization to support the services that you need and expect from the City. The structure tells the story.

The budget starts with several narrative sections, including the Manager's Message and the Reader's Guide. These sections provide a context for the numbers to follow.

The Financial Management section gives you an organization-wide overview of the budget through units of measurement. Each figure—whether it represents dollars, people, or equipment—plays an important part in a service being provided to the community.

Department budgets follow, as do the capital improvement plan and equipment replacement schedule. A more detailed explanation of each section follows:

Manager's Message
This section contains the Budget Transmittal Letter and Executive Summary from the City Manager. It includes a discussion of the major policy issues that were considered and major changes from last year. It also discusses which future steps the City may take to address the financial outlook of the City.

Reader's Guide
This section provides an overview of the budget process and City information to help familiarize the reader with the City and its budget. The section includes the User's Guide to the Budget, Community Profile, City Information, Financial Policies and Practices, Summary of the Budget Process, and a Basis of Budgeting and Accounting. A Citywide organization chart orienting the reader to the structure and staffing behind City programs and services is also included.

Financial Management
The Financial Management section is designed to give the reader an overall view of the entire City budget. This section contains summary charts and information to provide a one-stop picture of the budget. These high-level summaries provide an easy reference for overall City trends and conditions.

This section also discusses the City's debt service and debt capacity as well as its financial forecast. A financial forecast projects City revenues and expenses for major operational areas of the City based on current conditions and expectations for the future. The City uses the forecast to identify future trends, anticipate needed corrective adjustments, and forecast the success of current financial efforts.

Department Summaries
The City's operating budget is organized by major program areas: Administration, Police, Utility Administration, Street, Parks & Recreation, Economic Development, Tree Board, Community Improvement, and Utilities. Each program area functions as a City department containing a budget unit.

> **Administration Department**
> This section includes the budget appropriations and explanatory material for the offices of the City Manager, City Clerk, City Treasurer, Utility Billing and Municipal Court Services.
>
> **Police Department**
> This section includes budget appropriations and explanatory material for the Police division.
>
> **Utility Administration Department**
> This section includes budget appropriations and explanatory material for the office of the

Utilities Director, who is charged with the management of the Electric, Water, Gas, and Sewer municipal utilities.

Street Department
This section includes budget appropriations and explanatory material for the Street Department.

Parks & Recreation Department
This section includes budget appropriations and explanatory material for the Parks & Recreation Department. This department encompasses facilitation and maintenance for the City's 2 cemeteries and 4 major parks: Jones Park, Lincoln Park, Huffman Park, and Santa Fe Park. The Aquatic Center is located in Jones Park and is open for community use from Memorial Day-Labor Day each year. Multiple recreation programs are available for the youth of Osage City year-round and include a variety of options from sport leagues to art camp.

Economic Development Department
This section includes budget appropriations and explanatory material for all economic development functions, including the annual Smoke in the Spring barbeque competition held in April.

Tree Board Department
This section includes budget appropriations and explanatory material for the Tree Board, which is made up of community patrons who oversee the planting and upkeep of trees located on the City's right-of-way.

Community Improvement Department
This section includes budget appropriations and explanatory material for the Community Improvement Department. The Facilities Director manages this department and is charged with code enforcement, park and property maintenance, facility construction and planning, and animal control.

Utilities Departments
This section includes budget appropriations and explanatory material for the five City-owned utilities: Electric, Water, Gas, Sewer, and Sanitation.

Osage City Public Library
Though the Osage City Public Library is a semi-autonomous entity from the City organization, the City provides most of the funding for the library under its taxing authority. All pass through tax payments from the County Treasurer to the Library are run through the Library Fund.

Tax Levy Funds (Non-General Funds)
The City is required to budget all tax levy funds. City funds that employ a tax levy (excluding the General Fund and Library) are: Special Safety Equipment, Airport, and Bond & Interest. The Special Safety Equipment fund is reserved for purchase of law enforcement supplies and equipment, including upgrades of police vehicles. The Airport fund houses all revenues and expenditures related to the municipal airport. The Bond & Interest fund is from where most of the City's debt payments are made.

Non-Budgeted Funds
The City operates several other funds that are not required by state law to be included in the budget document. These funds are appropriated for capital projects or are being held by the City for other agencies. They include: Special Highway, Special Parks & Recreation, Cemetery Trust, Capital Improvement, Equipment Reserve, CDBG, Certificates of Participation, Public Building Commission, PBC Revenue Bonds, Alcohol Safety, Utility Deposit, and Court Bond.

Appendices
The Appendices contain a variety of other budget-related information to assist the reader's understanding.

Capital Improvement Plan
A CIP is a multi-year plan used to identify and coordinate public facility and project needs in a way that maximizes the return to the community. This advanced planning of all City projects helps the City Council, staff, and public make choices based on rational decision making rather than reacting to events as they occur. The CIP commits resources to "mature" areas in our community and areas of new growth. The CIP presents major improvements that are viewed as most urgently needed and which can be funded from available revenue sources. The system of capital expenditure management is important because: 1) the consequences of investments and capital projects extend far into the future; 2) decisions to invest are often irreversible; 3) these decisions significantly influence a community's ability to grow and prosper. The CIP section provides information about the City's adopted five-year CIP.

The CIP is an independent document from the annual budget. It contains information about major construction and capital acquisition projects that will be implemented in 2009 and 2010, plus projections of capital needs over the following four years. Essentially, the CIP is a roadmap that guides the City in planning major projects and acquisitions. The list of potential projects for inclusion in the CIP comes from a variety of sources, including departmental requests, plans for facility construction and renovation, long-term capital replacement programs, citizen requests, neighborhood plans, and projects for which grant funds are available. These projects are reviewed for consistency with the City's Comprehensive Plan.

The CIP allows the community, through its City Council, to take a critical look at itself and identify what is good, what could be improved, what might be needed in the future, and what might be needed in the future and what opportunities might exist. Without this comprehensive approach, consideration and approval of capital improvements results in short-range, uncoordinated decision making. Optimal capital planning provides a process that considers all possible projects at the same time and produces a planning record that balances projects, funding sources, and timing schedules.

When department directors plan their CIP requests, anticipated operating costs and savings or revenue from the project are taken into consideration. The budget process allows the directors to incorporate savings or spending because of capital projects into their departmental budgets.

Equipment Replacement Plan
In order to provide City departments with working equipment, the budget includes an equipment replacement plan. The Equipment Replacement Plan section provides information about the City's purchase and replacement schedule for City resources. The Equipment Replacement Plan anticipates the depreciation of City resources and minor assets and recommends a replacement schedule that allows for stewardship and responsive budgeting. Items that may be provided in the Equipment Replacement Plan include information technology hardware and major software systems, major office equipment, departmental vehicles, general depreciable infrastructure, and other items of significant value.

Glossary of Terms
The Glossary of Terms will assist you in having a fuller understanding of the jargon used in this document and relative to the concepts discussed herein.

State Forms
The State Forms section includes forms required of the City of Osage City by Kansas State Statute to be submitted to the Osage County Clerk each year by August 25. The County Clerk makes levy calculations in November based upon the final valuations. The clerk then forwards them to the State Division of Accounts & Reports.

Osage City: City & Community Profile

If you are reading this, we know that you are interested in what Osage City has to offer as a community. As the data in this report will show, we are a bedroom community to some of the best communities in Kansas.

We are proud that so many people choose to commute to these communities on a daily basis. We believe the reason we have so many commuters is we have something to offer that larger cities can't – a sense of community. People come here to belong, to raise their children in a safe setting, and to send them to good schools.

Where is Osage City located?
Osage City is centrally located between Topeka, Emporia, and Ottawa, Kansas on Hwy 31. The City meets the retail needs of many surrounding communities as it is the largest retail provider in its estimated service area of 15,000 individuals. Many residents of the following communities shop in Osage City:

- Admire
- Allen
- Burlingame
- Harveyville
- Lebo
- Lyndon
- Melvern
- Melvern Lake
- Pomona Lake
- Reading
- Scranton
- Vassar

How big is Osage City?
Osage City is the largest city in Osage County with a population of 2,846 according to the 2007 U.S. Census Bureau estimate.

What are Osage City's roots?
Osage City was first surveyed and platted in 1969 along the Atchison, Topeka, and Santa Fe railroads. The town was officially organized in 1872 and was once known for its coal mining. Abandoned mine shafts are still located beneath the city, one of which was discovered in 2003 during construction of the new aquatic center. Osage City has seen a stable population since its early years and has a vibrant sense of community through its citizens.

Who lives in Osage City?
Osage City's amenities attract families, young professionals, and active seniors alike. Home to 2,846 residents, Osage City residents have a median age of 38.6 years and an average home value of $72,500. Many people choose to live in Osage City but work in the neighboring communities.

How is Osage City governed?
Osage City operates under the Mayor-Council form of government. The Council consists of eight elected officials. The City has adopted the City-Manager form of government and employs a manager for the administration of the City's business. This system combines strong political leadership of elected officials with strong managerial experience of a professional City Manager. In this form of government, Council members and the Mayor are leaders and policy makers elected to represent both their wards and the City as a whole by concentrating on policy issues that are responsive to the citizens' needs and wishes.

The City Manager is hired by the City Council to carry out policies, oversee City operations, and ensure that the entire City is being served. The governing body establishes goals and policies which the staff executes under the supervision of the City Manager.

What services does the City of Osage City provide?
Led by the City Manager, a staff of approximately 35 full-time employees ensures Osage City citizens a full range of quality services. The following represent some of the primary services that the City directly provides to its citizens:

Building Inspection
Code Enforcement
Economic Development
Financial Operations
Utility Connections
Municipal Court
Police
Quality Water
Zoning
Professional City Management
Animal Control
Public Works
Reliable Utility Services
Street Cleaning and Snow Removal
Planning
Utility Billing
Successful Youth Recreation Programs

Community Statistical Overview

Osage City Population (2007 est.): 2846

2009 Assessed Valuation: $18,029,793

2008 Taxation Profile

Total Property Tax Rate: 135.492
- City Property Tax Rate: 39.478
- County Property Tax Rate: 48.294
- School Property Tax Rate: 41.741
- State Property Tax Rate: 1.50

Total Sales Tax Rate: 7.3%
- State Sales Tax: 5.3%
- County Sales Tax: 1.0%
- City Sales Tax: 1.0% (earmarked for the Osage City Aquatic Center & Property Tax Reduction)

2008 Ad Valorem Tax Levies for Cities in Osage County

Levies for 2009 Budgets

City	Total Levy
Olivet	108.392
Osage City	**135.492**
Quenemo	139.871
Scranton	144.041
Overbrook	146.914
Burlingame	152.745
Lyndon	156.338
Carbondale	157.510
Melvern	172.052

City	Total Levy
Olivet	7.494
Burlingame	37.646
Osage City	**39.478**
Scranton	39.442
Overbrook	41.005
Carbondale	44.098
Quenemo	48.514
Lyndon	56.413
Melvern	70.837

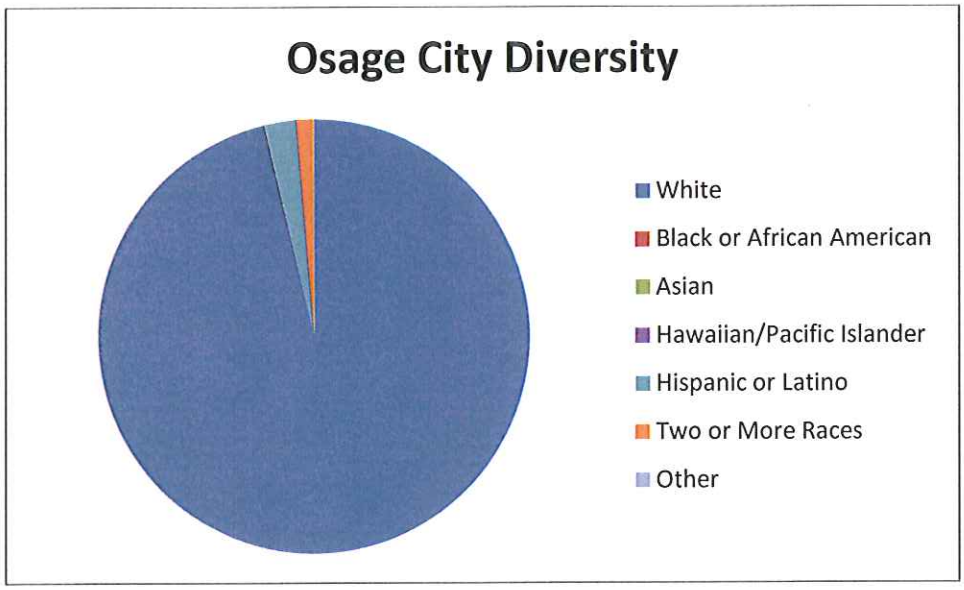
Resident Profile (2000 Census)

Median Age: 38.6

Median Family Income: $50,046

Community Diversity:

White	96.3%
Black or African American	.04%
American Indian/Alaska Native	1.1%
Asian	.01%
Hawaiian/Pacific Islander	.04%
Other	.05%
Hispanic or Latino	2.3%



Average Home Value: $119,600
Total Households: 1,383

Education

Osage City is in close proximity to two vocational-technical colleges and one community college outreach center. Flint Hills Vo-Tech in Emporia and Kaw Valley Vo-Tech in Topeka provide training for vocational or technical professions and will work with new employers to provide the necessary training.

Allen County Community College's outreach campus at Burlingame is only eight miles from Osage City and provides a variety of different educational opportunities. In fact, the campus is so popular that its enrollment at Burlingame has overtaken enrollment on its main campus in Iola, Kansas.

Kansas is home to many great higher education institutions. Osage City is fortunate to be located near six of them:

Institution	Location	Distance
Baker University	Baldwin City	40 miles
Emporia State	Emporia	30 miles
Kansas State University	Manhattan	78 miles
Ottawa	Ottawa	34 miles
University of Kansas	Lawrence	56 miles
Washburn	Topeka	30 miles

Transportation

Roads

The roads around Osage City are traveled each day by numerous heavy trucks shipping manufactured homes, thousands of cases of Anheuser-Busch products, goods to local retailers and manufacturers, and large grain trucks accessing the local and area elevators. Osage City is

close to several major roadways:

- Within 15 miles of the Kansas Turnpike (I-335)
- Within 8 miles of U.S. Highway 75
- Approximately 35 miles to Interstate 70
- Approximately 23 miles to Interstate 35

In addition, U.S. Highway 56, an east and west truck route across Kansas, intersects with State Highway K-31 one mile north of Osage City.

Air

The City of Osage City currently has a municipal airport with a runway of 2,560 feet. Although it cannot handle larger aircraft at this time, the City is currently undertaking improvements identified through the airport master plan, which would increase the length of the runway to 4,100 feet. The master plan allows the City to access $450,000 in airport improvement grant funds set aside by the FAA for improvements at the facility.

The City is less than 30 miles from Forbes Field, which has airline commuter service to the major airports in the area. The largest airport hub in the area is Kansas City International Airport, which is about an 80-minute drive from Osage City.

Railroad

The City installed a new rail switch that has allowed Orbis, Inc. (formally Norseman Plastics) to utilize rail service for its shipping needs.

Summary of the Budget Process

The process and schedule that the City follows to prepare its annual budget complies with the applicable statutes established by the State of Kansas. A fair, professional budget process is essential to good public service. Such a process involves input by the public, intense preparations by staff, multi-level reviews by the City Council, and the opportunity for public review and feedback. The process and calendar of events leading up to adoption of the budget are as follows:

Revenue Estimates **December 2008 – March 2009**
Together the City Treasurer and City Manager evaluate projections for non-tax revenues to be received in 2009. Staff considers both internal and external factors such as service expectations, new state/federal mandates, plans for legislative funding, and regional economic factors.

Department Operating Budget Requests **February 2009**
City Department Heads prepare requests for budgets to maintain current service levels and add service enhancements addressing specific initiatives.

Capital Improvement & Equipment Replacement Plans **April - May 2009**
Departments prepare prioritized 5-year CIP requests and 2010 vehicle and equipment requests. Departments also submit recommendations to amend existing 2009 CIP and Equipment Replacement Plans, if necessary.

Department Meetings **May 2009**
Administration staff compiles departmental requests and meets individually with departments concerning their requests. Based upon these meetings, the City Treasurer and City Manager make recommendations for operating budgets, CIP, and equipment requests.

City Council Workshop **June 2009**
The City Manager presents the budget to the Council in a workshop format. The Council asks questions for understanding.

Citizen Comments **July – August 2009**
Once the Manager's Recommended Budget is presented in July, it will be posted and accessible to the public. Citizens have several opportunities to address the Council in open meetings and through personal contacts about any concerns, requests, or questions they may have.

Osage City Planning Commission Review **July 2009**
State law requires the planning commission to review the Capital Improvement Program for consistency with the Comprehensive Plan.

City Manager's Recommended Budget **July 2009**
The City Manager presents the Council with his recommended 2010 budget and 2009-2013 Capital Improvement Plan and Equipment Replacement Plan.

Public Hearing and Final Adoption of 2010 Budget **August 2009**
A Public Hearing is held during a council meeting during which citizens may comment. The Council votes on approval of the 2010 Budget.

Basis of Budgeting and Accounting

The basis of budgeting refers to the conversions for recognition of costs and revenues in budget development and in establishing and reporting appropriations that are the legal authority to spend or collect revenues.

Basis of Accounting

The statutory basis of accounting is designed to demonstrated compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1220a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

Basis of Budgeting

The City adopts an annual budget for the General Fund for which the level of expenditure may not legally exceed appropriations for each department of fund classified in the following categories: Personnel Services, Contractual Services, Commodities, Capital Outlays, Non-Expense Items, Transfers Out, Debt Service, and Capital Improvements.

Proposed expenditure appropriations for all departments and operations of the City are prepared under the direction of the City Manager. The City Council may increase, decrease, or reject any item in the budget submitted by the City Manager, taking into consideration the recommendation of the City Manager.

Each year the Administration Department projects revenues (income) for the upcoming year and projects revenues for the ensuing budget year as a part of the long-range financial plan. The first year is used as the basis for the annual operating budget. The annual operating budget balances operating expenditures with operating revenues, provides for adequate funding for maintenance of equipment, and provides for all costs of personnel.

Osage City's fiscal runs from January 1st to December 31st.

Non-budgeted funds
Kansas statutes require that all money raised by taxation and from all other revenue sources for the ensuing fiscal year be appropriated, or designated. This requirement does not allow for any non-appropriated (undesignated) fund balance of a budgetary basis. However, the law does permit an appropriation for unspecified purposes not to exceed 10% of the total amount of the budget. This practice follows principles of sound fiscal management and provides the opportunity to maintain appropriate fund balance reserves.

Additionally, certain funds appear in the City's audited financial statements that do not appear in the budget. The City initiates numerous capital projects primarily related to infrastructure, utilities, and streets. These expenditures are paid through special assessments from property owners and/or bond proceeds. Each of these funds is specifically spelled out, reviewed by bond counsel, and voted on by the City Council. These obligations are not subject to change or negotiation, so they are not included in the budget.

Which funds are appropriated?

All city or county funds are subject to the budget law and must be included in the budget document. City of Osage City funds are appropriated except for Capital projects governed by K.S.A. 12-6816, Equipment Reserve, CIP, Pool CIP, Special Enforcement, Certificates of Participation, CDBG, Public Building Commission, PBC Revenue Bonds, Alcohol Safety, Utility Deposits, Court Bond, and Golf Course.

What is a "Mill Levy?"

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

After the budget is adopted by the governing body, the City is required by the state to file the proper budget forms with the county clerk. These forms demonstrate compliance with tax limitation legislation.

The County Clerk calculates the annual mill levy by dividing the total revenue to be obtained from ad valorem taxes for each fund by the total assessed value located in a specific jurisdiction. Fund levies are aggregated to determine the total mill levy for a jurisdiction.

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

What is assessed value?

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

Real Estate		
Residential	Multi Family, urban, or rural	11.5%
Agricultural	Value based on use or production	30.0%
Vacant lots:		12.0%
Commercial:	For industrial purposes, and buildings and improvements to agricultural land	25.0%

Personal Property

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

Statutory Budget Requirements

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless exempted by specific statute), debt service funds, and enterprise funds. Statute requires the budget to be *balanced*, meaning that estimated expenditures equal estimated actual and estimated revenues.

All budgets are prepared using the cash basis method of accounting—that is, commitments evidenced by documents such as purchase orders and contracts in addition to disbursements and accounts payable are all recorded as expenditures when the transaction actually happens, not when the commitment is made.

Furthermore, the statutes provide for the following sequence and timetable in adoption of budgets:

a. Preparation of the budget for the succeeding calendar year on or before August 1st of each year.
b. Publication of proposed budget on or before August 5th of each year.
c. A minimum of 10 days notice of a public hearing, published in the official newspaper, on or before August 5th of each year.
d. Public hearing on or before August 15th of each year.
e. Adoption of the final budget on or before August 25th of each year.

Amending the Budget

Supplemental appropriations and transfers among budget categories occasionally modify original appropriations. In order to amend the budget, the proposed amendment must appear in the official City newspaper at least 10 days prior to a public hearing. Citizens also may address the City Council prior to the hearing. After the hearing the Council may then vote to amend the budget. Approved amendments are then submitted to the State Division of Accounts & Reports for record.

Public Participation

Additionally, Kansas law requires the opportunity for public input and participation throughout the budget process. All budget meetings and City Council meetings are open to the public and are advertised as such.

Citizen participation in local government need not be limited to the budget process. It is the right of all citizens to participate in the governing organizations that affect them. Among other

avenues, citizens may wish to become involved through their elected representative(s), by attending public meetings, or directly by giving input, serving on an advisory board, committee, or the governing body.

Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories—government funds, proprietary funds, and fiduciary funds.

Governmental Funds

Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. The governmental funds balance provide a detail short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to the City's programs.

General Fund—The General Fund is the general operating fund of the City. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Fund—The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt including principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by Proprietary Funds.

Proprietary Funds

Services for which the City charges customers a fee are generally reported in the proprietary funds. The electric, water, gas, sewer, and sanitation funds comprise the proprietary funds for the City of Osage City.

Enterprise Funds—Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis can be financed or recovered through user charges.

Fiduciary Funds

Fiduciary Funds account for assets held in a trustee or agent capacity for outside parties, including individuals, private organizations, and other governments.

Agency Funds—Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has four Agency Funds: Special Alcohol, Utility Deposits, Special Enforcement Trust, and Golf Course.

Financial Policies

The City of Osage City has a responsibility to its citizens to carefully account for public funds, to manage municipal finances wisely, and to plan for the funding of services and facilities required by the public. The principles of prudent financial management require that a set of operating, accounting, capital, and revenue policies be followed to ensure that this responsibility is met.

The financial policies of the City of Osage City have specific objectives designed to ensure the continued fiscal health of the City:

- To maintain the policy-making ability of the City Council by ensuring that important fiscal decisions are not driven by emergencies or financial problems.
- To allow the City Council to make timely policy decisions based on financial reports delivered to Council on a regular basis.
- To provide sound financial principles to guide the Council and management team in making current and long range decisions.
- To use sound revenue policies which prevent undue reliance on a single source of revenue and which distributes the cost of municipal services fairly among all programs and users.
- To provide a system of internal controls sufficient to ensure compliance with the budget as adopted by the City Council.

Operating Policies

Operating expenditures will not exceed operating revenues.

Policy Purpose: To ensure that the City provides services within the limits of revenues and avoids the need to issue debt for operating purposes.

Financial reports will be prepared and delivered to Council and management on a regular basis.

Policy Purpose: To ensure that financial decisions are made in a timely manner and not as a response to an emergency.

The City will maintain a competitive pay structure for all employees.

Policy Purpose: To ensure that the city is able to attract and maintain a qualified workforce it is vital that the pay structure of the City is maintained at the market rate.

Accounting Policies

The City will continue to move toward the use of generally accepted accounting principles (GAAP) in all financial systems and transactions. These principles will be monitored and updated as mandated by the Governmental Accounting Standards Board (GASB) which is the legal authority charged with defining GAAP.

Policy Purpose: Sound financial management requires adherence to a set of

accounting procedures so that the Council and citizens may have confidence in the financial reports produced and distributed.

The City Treasurer will monitor all financial systems on a monthly basis and will provide quarterly reports to the City Council on the status of the system.

Policy Purpose: It is important that the City Council makes long-term financial decisions based on timely information. This policy will avoid making short–term decisions with negative long-term consequences.

The City shall maintain an operating fund balance of at least 5% of annual operating expenditures for the general fund, special revenue funds, enterprise funds, and capital projects funds.

Policy Purpose: It is desirable to have cash on hand in order to avoid cash flow interruptions, to be able to make vendor payments on a timely basis, to generate interest income, and to reduce the need to borrow money.

Enterprise fund fees shall be based on the cost of providing services including operational, debt service, and capital structure costs.

Policy Purpose: The City needs to have the ability to pay for system operations, make debt service payments, and provide for maintenance and replacement of system equipment and infrastructure.

Each utility fund shall pay a specified amount based on an annual review to the general fund to cover administrative charges associated with the operations of the fund.

Policy Purpose: The City needs to account for all operating expenses from the utility funds so an appropriate fee can be established that covers all costs associated with providing service.

Revenue Policies

The City of Osage City shall maintain a diversified revenue base.

Policy Purpose: Reliance on a single revenue source can severely impact City services should the economic forces behind that single revenue source experience a downturn.

One time revenues shall only be used for one time projects.

Policy Purpose: Funding of on-going operations from non-reoccurring revenues adversely impacts future budgets when additional revenues will have to be generated if the programs are to be continued.

All revenue forecasts shall be conservative.

Policy Purpose: City services should not be funded based on overly optimistic revenue projections because service levels would have to be reduced should revenues not meet forecasted projections.

All City funds will be invested in accordance with state law.

Policy Purpose: The State of Kansas implements investment laws designed to ensure the safety of City assets.

User fees shall be reviewed annually.

Policy Purpose: Sound financial management requires that those who use the service should pay for the costs of specialized services that serve only certain portions of the population. Annual reviews of such fees are necessary to ensure that fees charged continue to cover the costs of the service.

Capital Improvements Policies

The City will develop a multi-year capital improvements plan, update it annually and will make all capital improvements in accordance with the plan.

Policy Purpose: A long-range capital plan provides citizens with the assurance that the City will maintain the capital infrastructure system and provides them with a timeline for when such improvements will be made. The plan must be updated annually to ensure that it has the flexibility to meet changing citizen needs or expectations.

The City will maintain its physical assets at a level adequate to protect the City's capital investment and minimize future maintenance and replacement costs. The budget will provide for the orderly replacement of capital equipment from current revenues.

Policy Purpose: Failure to maintain capital assets at a usable level leads to higher maintenance costs and shortens the useful life of assets.