

# Fiscal Conditions & Trends Riley County

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office of  
*Local Government*  
K-State Research and Extension

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## THE KANSAS FISCAL DATABASE

Financial management is one of the most challenging responsibilities facing county government. To help local officials meet this responsibility, the Office of Local Government, a unit of K-State Research and Extension, developed the *Kansas Fiscal Database*. The database contains detailed financial information from 1989 to 2010 for all Kansas counties. This information was drawn from county budgets on file at the Kansas Department of Administration's Division of Accounts and Reports.

Expenditures in the database are sorted by function (e.g., general, road and bridge, law enforcement), and revenues by source (e.g., property taxes, sales taxes, special highway). There is no connection between expenditures and revenues. That is, the database does not allow for the analysis of expenditures by revenue source or vice versa. The database contains actual, rather than budgeted, numbers from 1989 to 2010. Table 5 (p. 11) displays all expenditure categories in the database and Table 8 (p. 16) all revenue categories.

The Kansas Association of Counties, the Division of Accounts and Reports, and others knowledgeable about local government financial management assisted in the design of the database. Though budgeting and reporting often vary across counties, the data represents consistent accounting, and county officials can feel confident in their use of this information. Specific accounting conventions adopted in the construction of the database are described on pages 23 and 24.

This report will help local officials understand revenue and expenditure trends in their county. It examines public service demand and provision, providing valuable information for evaluation and planning.

Additional studies are available using information in the *Kansas Fiscal Database*. Detailed analysis of a specific expenditure trend (e.g., solid waste or health) relative to other county expenditures and similar counties is one example. Evaluations of overall financial condition and performance are also available. Contact the Office of Local Government to obtain information about these and other technical services.

The *Kansas Fiscal Database* represents a commitment by the Office of Local Government and K-State Research and Extension to develop programs and provide assistance to local governments in Kansas. These services are made possible by local support of the county Extension network. The Office of Local Government will update the database annually and distribute updated reports in cooperation with county Extension offices.

The Office of Local Government welcomes any questions, comments, or suggestions about this report or any of their other services. Contact your county Extension office or:

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# **FISCAL CONDITIONS AND TRENDS RILEY COUNTY, KANSAS**

## **INTRODUCTION**

Local fiscal conditions are influenced by demographic, economic, and social trends; state and federal mandates; and local needs and preferences. This makes it difficult for county officials and others to find reliable data to evaluate county fiscal conditions and performance. This report provides a starting point. It uses information from the *Kansas Fiscal Database* to examine expenditure and revenue trends from 2002 to 2010, with the Kansas county average as a benchmark.

The report begins with a presentation of population, income, and assessed valuation trends. These characteristics influence the responsibilities and capacity of county governments and establish a context for understanding fiscal trends. Total and per capita revenues and expenditures are then presented. Per capita values represent revenues or expenditures per person in the county. They can be compared to state averages and are a useful indicator of performance, especially when the county's population has changed significantly over time.

Nearly all dollar amounts in this report are "real" amounts. The value of a dollar declines over time due to inflation. Inflation, then, distorts trends over time, because a dollar today does not have as much purchasing power as a dollar one year or five years ago. To make fair comparisons of dollar amounts over time, the data must be adjusted to a single year's value using an inflation index. In this report, values are adjusted to 2010 dollars (2010\$) using the Personal Consumption Expenditures (PCE) chain price index. Actual and real dollar amounts are equal in the base year (2010). By removing the effects of inflation, the focus shifts to the "real" forces affecting budget trends – economic conditions, changing wants and needs, and mandates.

As readers observe trends in the report, they naturally ask why these trends occurred. While we can make some generalizations based on federal and state mandates, broad economic conditions, and general preferences for public services, unique circumstances in the county are often responsible. Every county periodically requires significant capital investment to maintain service delivery. Such capital expenditures may result in a significant deviation from a normal trend line.

Similarly, changes in local accounting practices over time (for example, reporting expenditures in greater or lesser detail) may influence trends. The lack of comprehensive uniformity requirements in local government budgeting permits considerable latitude in reporting greater or lesser detail, in shifting revenues and expenditures between accounts or, in some cases, reporting certain activities at all. While we strive to provide the greatest detail possible, local budgeting conventions often dictate just how good of a job we are able to do.

Budget documents alone do not allow us to identify all of the circumstances facing a particular county. Therefore, we encourage readers to look beyond the information presented in this report to fully understand why revenue and expenditure trends look as they do. This report is a tool to help elected and appointed local officials enhance decision-making and meet the needs of their county efficiently and equitably. The information presented may reinforce their assumptions about local conditions or show previously unrecognized trends. In addition, it may help officials identify the causes and implications of these conditions and trends.

## LEGISLATION AFFECTING COUNTY FINANCES

Changes in state and federal legislation and mandates may be partly responsible for shifts in county revenues and expenditures from 2002 to 2010. Following is a brief summary of major legislation that may have affected the county fiscal trends presented in this report.

**Community College Tuition.** County out-district tuition is paid when a student from another county enrolls in a community college. Prior to the passage of the Higher Education Coordination Act in 1999, the state and counties shared the cost of tuition accompanying a student. With passage of the Act, the county portion of out-district tuition was phased out over a four-year period and replaced by state aid. FY 2006 was the last year for out-district tuition.

**Local Extension Program Organization.** Over the past several years, Kansas State University Cooperative Extension Service has aggressively promoted the creation of multi-county Extension districts as a cost-savings measure. When formed, an Extension district becomes a special purpose form of government with its own taxing authority separate from county government. Thus, Extension allocations have disappeared from many county budgets. Currently, 14 districts cover 33 counties.

**Demand Transfers.** Demand transfers is the term applied to the combination of several state aids to local government. They include City/County Revenue Sharing, Local Ad Valorem Tax Reduction (LAVTR), and Special Highway Aids. Following a national recession in 2001, the state began phasing out City/County Revenue Sharing and LAVTR beginning in 2002 in response to a downturn in state revenues. Revenue Sharing was cut by approximately half in 2002 and both Revenue Sharing and LAVTR were suspended in 2003. Special Highways Aids were preserved, but adjusted in a way that pushed the total available funding down.

**Commercial and Industrial Machine Tax Exemption.** In 2006, the Legislature passed a bill that exempts all equipment purchased or acquired after June 30, 2006 from property tax. The new law has a "reimbursement slider" to help to replace the loss of tax dollars, along a sliding scale for five years. The bill also restores the LAVTR starting in 2009. However, in response to a worsening budget, the Legislature has since adjusted the payment schedule. Counties haven't received several reimbursement payments. The slider payments are scheduled to resume in the 2012 fiscal year.

## POPULATION AND PER CAPITA INCOME

County fiscal trends are often closely related to population and income trends. In general, as population increases, county revenues and expenditures rise. As income increases, county revenues tend to increase. County expenditures may also rise as income increases if residents demand more services.

**Table 1. Population and real per capita income, Riley County, 2002-2010**

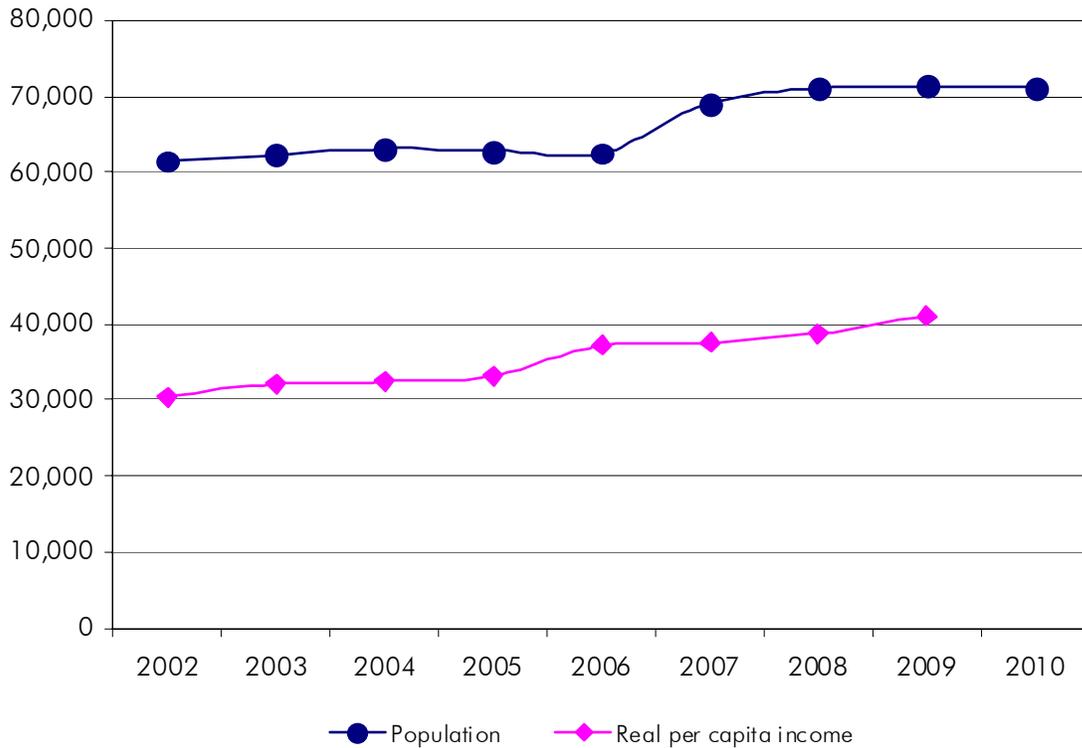
| <b>Year</b> | <b>Population<sup>a</sup></b> | <b>Annual % Change</b> | <b>Real Per Capita Income (2010\$)<sup>b</sup></b> | <b>Annual % Change</b> |
|-------------|-------------------------------|------------------------|--|------------------------|
| 2002        | 61,480                        |                        | 30,414   |                        |
| 2003        | 62,291                        | 1%                     | 32,227   | 6%                     |
| 2004        | 63,069                        | 1%                     | 32,420   | 1%                     |
| 2005        | 62,826                        | 0%                     | 33,136   | 2%                     |
| 2006        | 62,527                        | 0%                     | 37,193   | 12%                    |
| 2007        | 69,083                        | 10%                    | 37,618   | 1%                     |
| 2008        | 71,069                        | 3%                     | 38,766   | 3%                     |
| 2009        | 71,341                        | 0%                     | 41,045   | 6%                     |
| 2010        | 71,115                        | 0%                     | Not Yet Available                                  |                        |
|             | % change<br>2002-2006         | 2%                     | % change<br>2002-2006                              | 22%                    |
|             | % change<br>2006-2010         | 14%                    | % change<br>2006-2009                              | 10%                    |
|             | % change<br>2002-2010         | 16%                    | % change<br>2002-2009                              | 35%                    |

<sup>a</sup> The U.S. Census Bureau supplied all population estimates, values for 2002-2009 are from their estimates for places and minor civil divisions. This brings our population data in line with the certified Kansas population produced by the Division of the Budget. For those counties with a federal or state correctional facility, each population value is adjusted downward by the corresponding annual inmate population. This adjustment accounts for the fact that, though residents, prisoners do not pay taxes to support the costs of services provided by county government. These population values are used in all per capita calculations.

<sup>b</sup> Annual personal income estimates were obtained from the Bureau of Economic Analysis' Regional Economic Information System. Personal income is generally higher than measures such as adjusted gross and money income because it consists of income received by both individuals and nonprofit institutions serving individuals. Specifically, personal income includes wages and salaries, income from rent, self-employment earnings, dividends, interest, government employee retirement benefits, social security benefits, and nontaxable transfer payments, such as Medicaid, Medicare, and welfare benefits.

Riley County's population increased 16 percent between 2002 and 2010 to 71,115. Over the same period, the population of the average Kansas county increased 6 percent to 25,910. From 2002 to 2009, the county's real, inflation-adjusted per capita personal income increased 35 percent, and the Kansas county average real per capita income increased 27 percent to \$37,977. Table 1 and Figure 1 summarize population and income trends in Riley County from 2002 to 2010.

**Figure 1. Population and real per capita income, Riley County, 2002-2010**



## TANGIBLE ASSESSED VALUATION

Local property taxes remain the major source of revenue for county governments, accounting for 54 percent of total revenue in the average Kansas county in 2010. Thus, trends in property values can significantly impact county revenues and expenditures. Declining property values push tax rates up and force counties to either find alternate revenue sources or cut spending. Changes in population, business conditions, and state mandates may affect local property values.

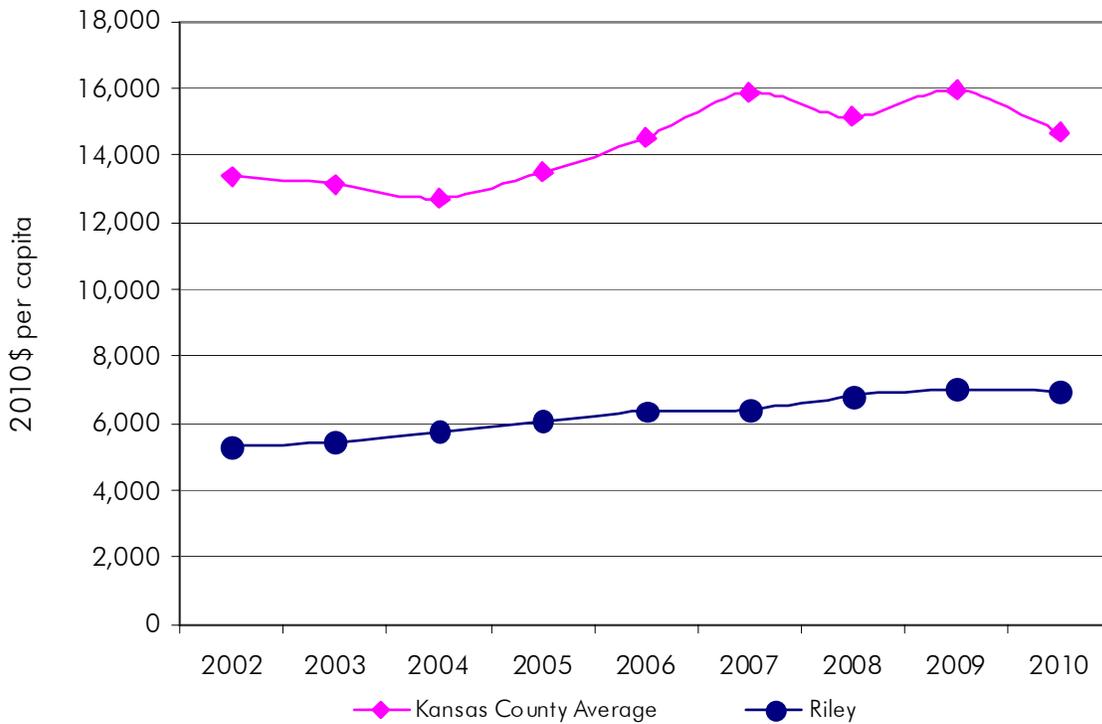
Between 2002 and 2010, Riley County's real, inflation-adjusted tangible assessed valuation increased 51 percent, from \$327,762,583 to \$493,802,872. The county's real per capita tangible assessed valuation increased from \$5,331 in 2002 to \$6,944 in 2010, a change of 30 percent. The Kansas county average real per capita assessed valuation increased 10 percent over the same period. Table 2 and Figure 2 summarize assessed valuation trends in both Riley County and the average Kansas county from 2002 to 2010.

**Table 2. Real tangible assessed valuation, Riley County, 2002-2010**

| Year                  | Riley County <sup>a</sup><br>(2010\$) | Riley County Per Capita<br>(2010\$) | County Average Per Capita<br>(2010\$) |
|-----------------------|---------------------------------------|-------------------------------------|---------------------------------------|
| 2002                  | 327,762,583                           | 5,331                               | 13,375                                |
| 2003                  | 340,732,495                           | 5,470                               | 13,155                                |
| 2004                  | 363,540,906                           | 5,764                               | 12,725                                |
| 2005                  | 380,675,940                           | 6,059                               | 13,510                                |
| 2006                  | 398,410,279                           | 6,372                               | 14,537                                |
| 2007                  | 443,625,591                           | 6,422                               | 15,873                                |
| 2008                  | 484,361,730                           | 6,815                               | 15,136                                |
| 2009                  | 501,355,550                           | 7,028                               | 15,938                                |
| 2010                  | 493,802,872                           | 6,944                               | 14,685                                |
| % change<br>2002-2010 | 51%                                   | 30%                                 | 10%                                   |

<sup>a</sup> Tangible assessed valuation is from county budgets and may differ from Kansas Department of Revenue equalized adjusted amounts.

**Figure 2. Real per capita assessed valuation, Riley County and Kansas County Average, 2002-2010**



## EXPENDITURES

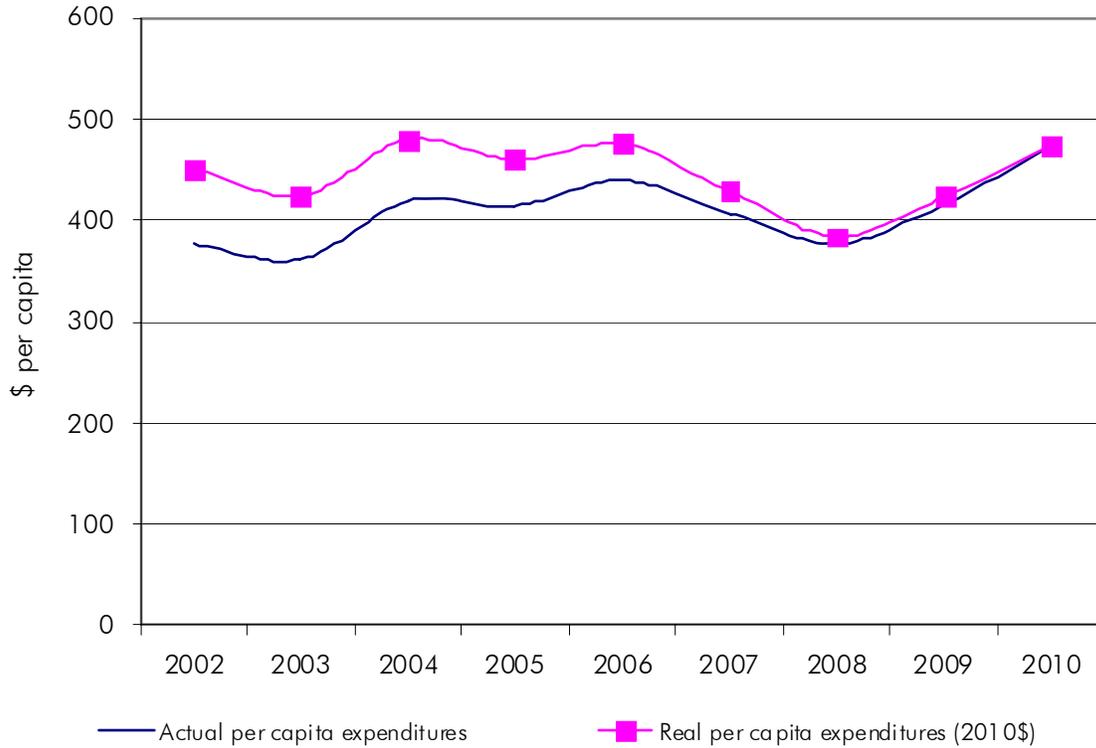
Total expenditures can be considered a measure of the overall responsibility of county government. In general, this responsibility has increased over the past decade in response to changes in economic conditions, state and federal mandates, and local needs and preferences. The shift to greater county responsibility has proven particularly challenging for the many counties where population, property values, and state and federal funding have remained constant or declined over time.

**Table 3. Total and per capita expenditures, actual and real, Riley County, 2002-2010**

| <b>Year</b>        | <b>Total Expenditures (actual\$)</b> | <b>Per Capita Expenditures (actual\$)</b> | <b>Real Expenditures (2010\$)</b> | <b>Real Per Capita Expenditures (2010\$)</b> |
|--------------------|--------------------------------------|---|-----------------------------------|--|
| 2002               | 23,115,553                           | 376                                       | 27,697,236                        | 451  |
| 2003               | 22,484,679                           | 361                                       | 26,404,325                        | 424  |
| 2004               | 26,410,681                           | 419                                       | 30,223,853                        | 479  |
| 2005               | 26,006,499                           | 414                                       | 28,897,641                        | 460  |
| 2006               | 27,462,509                           | 439                                       | 29,699,955                        | 475  |
| 2007               | 28,117,334                           | 407                                       | 29,596,395                        | 428  |
| 2008               | 26,748,243                           | 376                                       | 27,252,496                        | 383  |
| 2009               | 29,661,663                           | 416                                       | 30,166,349                        | 423  |
| 2010               | 33,651,689                           | 473                                       | 33,651,689                        | 473  |
| % change 2002-2006 | 19%                                  | 17%                                       | 7%                                | 5%   |
| % change 2006-2010 | 23%                                  | 8%  | 13%                               | 0%   |
| % change 2002-2010 | 46%                                  | 26%                                       | 21%                               | 5%   |

Between 2002 and 2010, Riley County's total expenditures, unadjusted for inflation, increased 46 percent. The county's unadjusted per capita expenditures increased 26 percent from 2002 to 2010, while the Kansas county average increased 57 percent to \$1,404. In real, inflation-adjusted terms, Riley County's expenditures (2010\$) increased 21 percent, and per capita expenditures increased from \$451 in 2002 to \$473 in 2010. Meanwhile, real per capita expenditures in the average Kansas county increased 31 percent. Table 3 and Figure 3 summarize Riley County's actual and real expenditures from 2002 to 2010.

**Figure 3. Per capita expenditures, actual and real, Riley County, 2002-2010**



**Real Expenditures by Major Function**

Three major functional expenditure categories in most Kansas counties are general, road and bridge, and law enforcement. General expenditures include those to support the county commission, clerk, treasurer, attorney, register of deeds, coroner, and facilities. Road and bridge consists of expenditures in both the road and bridge fund and special road and bridge accounts. Law enforcement expenditures are typically those for the sheriff’s department but may also include jail and juvenile justice expenditures, depending on local accounting practices.

From 2002 to 2010, Riley County’s real general expenditures increased 19 percent, road and bridge expenditures increased 96 percent, and law enforcement expenditures increased 39 percent. Real per capita general expenditures grew from \$104 in 2002 to \$107 in 2010. Meanwhile, per capita road and bridge expenditures increased 69 percent to \$89 and per capita law enforcement expenditures increased 21 percent to \$46. Table 4 summarizes Riley County’s real total and per capita expenditures by function from 2002 to 2010.

**Table 4. Real total and per capita expenditures by major function, Riley County, 2002-2010<sup>a</sup>**

| <b>Year</b>           | <b>General<br/>(2010\$)</b> | <b>Per<br/>Capita<br/>(2010\$)</b> | <b>Road &amp;<br/>Bridge<br/>(2010\$)</b> | <b>Per<br/>Capita<br/>(2010\$)</b> | <b>Law<br/>Enforcement<br/>(2010\$)</b> | <b>Per<br/>Capita<br/>(2010\$)</b> |
|-----------------------|-----------------------------|------------------------------------|---|------------------------------------|---|------------------------------------|
| 2002                  | 6,373,078                   | 104                                | 3,213,285                                 | 52                                 | 2,361,254                               | 38                                 |
| 2003                  | 4,490,708                   | 72                                 | 5,499,132                                 | 88                                 | 2,466,123                               | 40                                 |
| 2004                  | 4,999,005                   | 79                                 | 3,816,436                                 | 61                                 | 2,441,571                               | 39                                 |
| 2005                  | 5,010,347                   | 80                                 | 5,499,547                                 | 88                                 | 2,352,809                               | 37                                 |
| 2006                  | 8,527,628                   | 136                                | 4,972,357                                 | 80                                 | 2,507,664                               | 40                                 |
| 2007                  | 8,751,237                   | 127                                | 5,718,012                                 | 83                                 | 2,635,220                               | 38                                 |
| 2008                  | 6,301,494                   | 89                                 | 5,071,684                                 | 71                                 | 2,758,283                               | 39                                 |
| 2009                  | 6,241,852                   | 87                                 | 5,317,258                                 | 75                                 | 3,052,647                               | 43                                 |
| 2010                  | 7,595,295                   | 107                                | 6,296,594                                 | 89                                 | 3,292,377                               | 46                                 |
| % change<br>2002-2010 | 19%                         | 3%                                 | 96%                                       | 69%                                | 39%                                     | 21%                                |

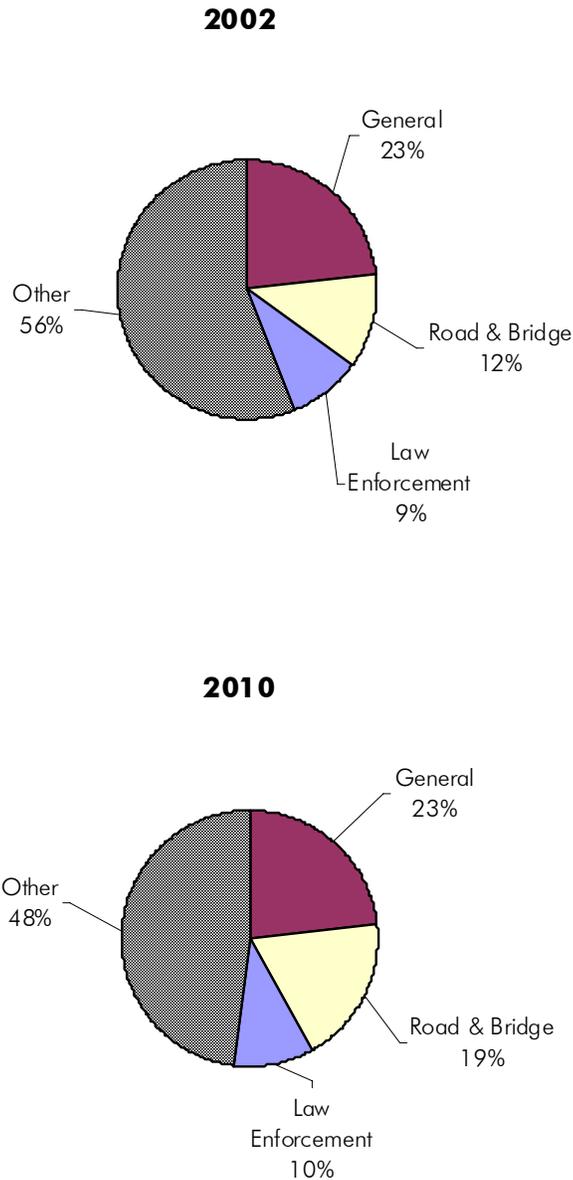
<sup>a</sup> Sudden, large changes in expenditures typically indicate a special circumstance, such as a capital outlay or change in local accounting practices.

General, road and bridge, and law enforcement expenditures accounted for 44 percent of Riley County’s total expenditures in 2002 and 52 percent in 2010. General expenditures were unchanged as a percent of total expenditures at 23 percent. Meanwhile, road and bridge expenditures grew from 12 percent of total expenditures in 2002 to 19 percent in 2010, and law enforcement expenditures grew from 9 percent of total expenditures to 10 percent. Figure 4 compares Riley County’s expenditures by major function as a percent of total expenditures in 2002 and 2010.

In general, the share of total county expenditures devoted to the three traditional expenditure categories (general, road and bridge, and law enforcement) has steadily declined in recent years while “other” expenditure categories have grown as a proportion of total expenditures. This implies that Kansas counties were doing more in 2010 than they were in 2002.

Additionally, we observed particularly strong growth in several expenditure categories. Public safety-related expenditures (sheriff, jail and corrections, juvenile justice, and district courts), for example, grew strongly over the period in most Kansas counties. This may reflect both growing public concern about crime and safety and new state and federal mandates. Similarly, health and related expenditures (county health department, ambulance, emergency 911 service, services for the aged, and hospital) showed strong growth in many counties, likely reflecting efforts to maintain quality health care as the state’s population ages. County solid waste expenditures have also experienced strong growth, following a federal mandate that solid waste be disposed of in a more environmentally sensitive fashion.

**Figure 4. Expenditures by major function as percent of total expenditures, Riley County, 2002 and 2010**



### **Real Expenditures by Detailed Function**

Table 5 summarizes Riley County's real expenditures by function from 2006 to 2010. Significant changes over time may be due to shifts in local needs or priorities, administrative reorganization, or changes in state and federal mandates. Large percentage changes, however, may also result from either a low level of expenditure for a given function or unusual circumstances in the years used to calculate the percentage (2006 and 2010).

**Table 5. Real expenditures by function, Riley County, 2006-2010**

| <b>Function<sup>a</sup></b>        | <b>2006<br/>(2010\$)</b> | <b>2007<br/>(2010\$)</b> | <b>2008<br/>(2010\$)</b> | <b>2009<br/>(2010\$)</b> | <b>2010<br/>(2010\$)</b> | <b>% change<br/>2006-2010</b> |
|------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------------|
| Total Expenditures <sup>b</sup>    | 29,699,955               | 29,596,395               | 27,252,496               | 30,166,349               | 33,651,689               | 13%                           |
| General                            | 8,527,628                | 8,751,237                | 6,301,494                | 6,241,852                | 7,595,295                | -11%                          |
| Airport                            | 0                        | 0                        | 0                        | 0                        | 0                        |                               |
| Alcohol & drug abuse               | 3,677                    | 4,020                    | 2,758                    | 3,412                    | 2,500                    | -32%                          |
| Ambulance                          | 692,117                  | 611,147                  | 949,275                  | 741,935                  | 732,448                  | 6%                            |
| Appraisal                          | 798,442                  | 804,549                  | 791,507                  | 876,969                  | 846,950                  | 6%                            |
| Bond & interest                    | 2,177,323                | 1,888,304                | 2,130,634                | 3,624,594                | 4,454,932                | 105%                          |
| Comm. college tuition <sup>c</sup> | 29,544                   | -265                     | 0                        | 0                        | 0                        |                               |
| Computer/data proc.                | 730,277                  | 770,604                  | 768,320                  | 806,354                  | 854,581                  | 17%                           |
| Conservation                       | 58,290                   | 69,562                   | 51,808                   | 52,829                   | 51,945                   | -11%                          |
| District court                     | 412,919                  | 194,432                  | 186,533                  | 222,888                  | 223,094                  | -46%                          |
| Economic development               | 309,456                  | 159,541                  | 117,404                  | 527,533                  | 62,656                   | -80%                          |
| Election                           | 220,538                  | 176,669                  | 349,816                  | 201,412                  | 278,880                  | 26%                           |
| Emergency 911                      | 660,425                  | 88,163                   | 126,166                  | 122,114                  | 311,456                  | -53%                          |
| Employee benefits                  | 2,018,708                | 2,140,725                | 2,230,188                | 2,397,805                | 2,512,302                | 24%                           |
| Extension council                  | 444,986                  | 469,212                  | 469,473                  | 469,443                  | 465,894                  | 5%                            |
| Fair                               | 91,990                   | 98,578                   | 96,744                   | 97,563                   | 95,954                   | 4%                            |
| Fire                               | 166,589                  | 90,382                   | 8,558                    | 408,440                  | 192,938                  | 16%                           |
| Health                             | 267,984                  | 272,118                  | 275,087                  | 281,489                  | 276,780                  | 3%                            |
| Historical                         | 209,620                  | 243,428                  | 238,833                  | 247,528                  | 235,401                  | 12%                           |
| Hospital                           | 0                        | 0                        | 0                        | 0                        | 0                        |                               |
| Jail/corrections                   | 299,012                  | 318,787                  | 360,285                  | 381,804                  | 344,818                  | 15%                           |
| Juvenile justice                   | 557,192                  | 469,152                  | 351,851                  | 384,526                  | 444,094                  | -20%                          |
| Law enforcement                    | 2,507,664                | 2,635,220                | 2,758,283                | 3,052,647                | 3,292,377                | 31%                           |
| Library                            | 0                        | 0                        | 0                        | 0                        | 0                        |                               |
| Mental health                      | 182,622                  | 228,388                  | 226,547                  | 229,627                  | 225,785                  | 24%                           |
| Mental retardation                 | 214,959                  | 185,932                  | 185,165                  | 186,983                  | 183,855                  | -14%                          |
| Noxious weed                       | 315,487                  | 319,573                  | 335,611                  | 392,803                  | 429,025                  | 36%                           |
| Parks & recreation                 | 328,354                  | 256,478                  | 289,667                  | 310,866                  | 302,856                  | -8%                           |
| Road & bridge                      | 4,972,357                | 5,718,012                | 5,071,684                | 5,317,258                | 6,296,594                | 27%                           |
| Services for the aged              | 286,865                  | 314,916                  | 317,026                  | 318,719                  | 313,387                  | 9%                            |
| Solid waste                        | 1,891,825                | 1,991,144                | 1,920,779                | 1,802,519                | 2,207,067                | 17%                           |
| Tort liability/risk mgt.           | 323,107                  | 326,387                  | 340,999                  | 464,438                  | 417,825                  | 29%                           |
| Weather modification               | 0                        | 0                        | 0                        | 0                        | 0                        |                               |

<sup>a</sup> Capital expenditures are included in the functional category they were intended to support. Additional detail is provided on page 23.

<sup>b</sup> In budgets, interfund transfers are considered expenditures. In this database, transfers are subtracted from functional expenditure categories and total expenditures to avoid double counting.

<sup>c</sup> With passage of the Higher Education Coordination Act in 1999, the county portion of out-district tuition was phased out over a four-year period and replaced by state aid. FY 2006 was the last year for out-district tuition.

## REVENUES

Total revenues can be considered a measure of the monetary resources available to the county to carry out its responsibilities. As with expenditures, county revenues have generally increased over the past decade. The composition of revenues, however, has shifted in many counties as general dissatisfaction with the property tax combined, in many cases, with declines in population, income, property values, retail sales, or state and federal funding has forced many counties to seek alternate sources of revenue and limit spending.

**Table 6. Total and per capita revenues, actual and real, Riley County, 2002-2010**

| <b>Year</b>        | <b>Total Revenues (actual\$)</b> | <b>Per Capita Revenues (actual\$)</b> | <b>Real Revenues (2010\$)</b> | <b>Real Per Capita Revenues (2010\$)</b> |
|--------------------|----------------------------------|---------------------------------------|-------------------------------|--|
| 2002               | 23,617,121                       | 384                                   | 28,298,219                    | 460                                      |
| 2003               | 26,839,012                       | 431                                   | 31,517,728                    | 506                                      |
| 2004               | 23,545,860                       | 373                                   | 26,945,409                    | 427                                      |
| 2005               | 26,047,595                       | 415                                   | 28,943,306                    | 461                                      |
| 2006               | 25,627,446                       | 410                                   | 27,715,385                    | 443                                      |
| 2007               | 29,789,116                       | 431                                   | 31,356,118                    | 454                                      |
| 2008               | 28,532,939                       | 401                                   | 29,070,837                    | 409                                      |
| 2009               | 27,388,097                       | 384                                   | 27,854,099                    | 390                                      |
| 2010               | 34,540,763                       | 486                                   | 34,540,763                    | 486                                      |
| % change 2002-2006 | 9%                               | 7%                                    | -2%                           | -4%                                      |
| % change 2006-2010 | 35%                              | 19%                                   | 25%                           | 10%                                      |
| % change 2002-2010 | 46%                              | 26%                                   | 22%                           | 6%                                       |

Between 2002 and 2010, Riley County's total revenues, unadjusted for inflation, increased 46 percent. During the same period, the county's unadjusted per capita revenues increased 26 percent and the Kansas county average increased 61 percent. In real, inflation-adjusted terms, Riley County's revenues (2010\$) increased 22 percent, and real per capita revenues increased from \$460 in 2002 to \$486 in 2010. Meanwhile, real per capita revenues in the average Kansas county increased 34 percent. Table 6 and Figure 5 summarize Riley County's actual and real revenues from 2002 to 2010.

**Figure 5. Per capita revenues, actual and real, Riley County, 2002-2010**



**Real Revenues by Major Source**

Property taxes, retail sales taxes, and special highway funds from the state are major revenue sources for many Kansas counties.

From 2002 to 2010, Riley County’s real property tax revenues increased 35 percent and per capita property tax revenues grew from \$180 to \$209. Riley County’s retail sales tax revenue declined 28 percent. Special highway funds declined 20 percent from 2002 to 2010, while per capita special highway funds fell from \$20 to \$14. Table 7 summarizes Riley County’s real total and per capita revenues by major source from 2002 to 2010.

**Table 7. Real total and per capita revenues by major source, Riley County, 2002-2010**

| <b>Year</b>           | <b>Property Tax<br/>(2010\$)</b> | <b>Per Capita<br/>(2010\$)</b> | <b>Sales Tax<sup>a, b</sup><br/>(2010\$)</b> | <b>Per Capita<br/>(2010\$)</b> | <b>Special Highway<br/>(2010\$)</b> | <b>Per Capita<br/>(2010\$)</b> |
|-----------------------|----------------------------------|--------------------------------|--|--------------------------------|-------------------------------------|--------------------------------|
| 2002                  | 11,061,666                       | 180                            | 4,474,905                                    | 73                             | 1,228,411                           | 20                             |
| 2003                  | 11,701,618                       | 188                            | 4,644,506                                    | 75                             | 1,126,967                           | 18                             |
| 2004                  | 12,278,110                       | 195                            | 4,271,485                                    | 68                             | 1,129,474                           | 18                             |
| 2005                  | 12,834,566                       | 204                            | 2,743,252                                    | 44                             | 1,132,191                           | 18                             |
| 2006                  | 13,471,923                       | 215                            | 3,072,559                                    | 49                             | 1,098,818                           | 18                             |
| 2007                  | 13,870,242                       | 201                            | 3,240,780                                    | 47                             | 1,128,299                           | 16                             |
| 2008                  | 14,770,691                       | 208                            | 3,382,856                                    | 48                             | 1,078,402                           | 15                             |
| 2009                  | 14,649,479                       | 205                            | 3,308,238                                    | 46                             | 930,967                             | 13                             |
| 2010                  | 14,893,970                       | 209                            | 3,243,296                                    | 46                             | 984,000                             | 14                             |
| % change<br>2002-2010 | 35%                              | 16%                            | -28%   | -37%                           | -20%                                | -31%                           |

<sup>a</sup> Sales tax includes only county general purpose and/or dedicated sales taxes, not those levied by the state or other municipalities.

<sup>b</sup> If there is an "N/A" in place of an amount, records state the county levied a sales tax but its budget did not show revenues from the tax.

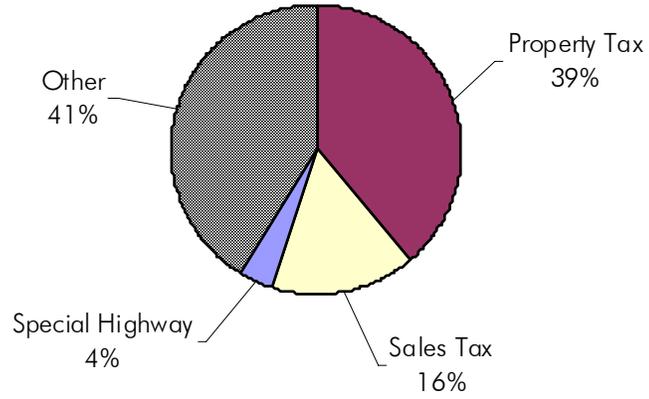
Property tax, sales tax, and special highway funds accounted for 59 percent of total revenues in 2002 and 55 percent in 2010. Property tax revenues increased as a percent of total revenues from 39 percent in 2002 to 43 percent in 2010. Meanwhile, sales tax revenues fell from 16 percent of total revenues in 2002 to 9 percent in 2010, and special highway funds fell from 4 percent of total revenues to 3 percent. Figure 6 compares Riley County's revenues by major source as a percent of total revenues in 2002 and 2010.

While the composition of revenues has not changed uniformly across Kansas counties, we have generally observed rapid growth in "other" revenues, particularly user fees and charges. The shift toward a user fee-based system of service delivery often reflects a conscious effort by local officials to limit use of the unpopular property tax.

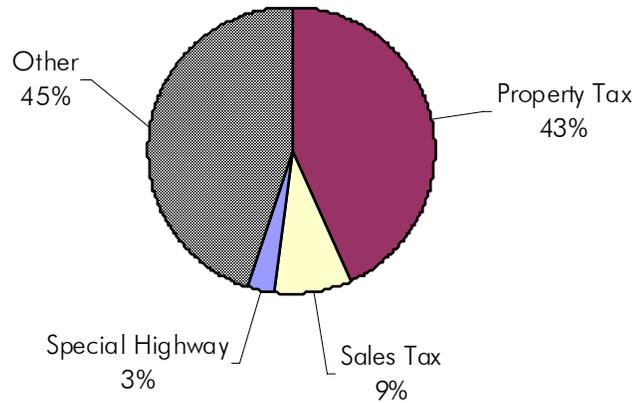
Beginning in 2001 a countervailing trend has put pressure back on the property tax. Two economic recessions are covered in the time period of this report: the recession in 2001 and the recession that began in late 2007 and lasted until June of 2009. Local revenues during these periods have been strongly influenced by the twin negative shocks of both the recession and the loss of state aids to local governments. The time both before and after the recession was characterized by lagging economic performance. This meant that any government revenue source that might be sensitive to general economic conditions would probably have been relatively weak (retail sales tax, mortgage registration fees, and interest on investments). This was true for the state as well as local governments, and in order to balance its budget, in part, the state has reduced aids to local governments. For most counties, and particularly for rural counties, there are few alternative sources of revenue to the property tax.

**Figure 6. Revenues by major source as percent of total revenues, Riley County, 2002 and 2010**

**2002**



**2010**



## Real Revenues by Detailed Source

Table 8 summarizes Riley County's real revenues by source from 2006 to 2010. Again, significant changes over time may be due to shifts in local needs or priorities, administrative reorganization, or changes in state and federal mandates; and, large percentage changes from 2006 to 2010 may be due to a small revenue level or unusual circumstances in either year.

**Table 8. Real revenues by source, Riley County, 2006-2010**

| Function                           | 2006<br>(2010\$) | 2007<br>(2010\$) | 2008<br>(2010\$) | 2009<br>(2010\$) | 2010<br>(2010\$) | % change<br>2006-2010 |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|-----------------------|
| Total Revenues <sup>a</sup>        | 27,715,385       | 31,356,118       | 29,070,837       | 27,854,099       | 34,540,763       | 25%                   |
| Property Tax                       | 13,471,923       | 13,870,242       | 14,770,691       | 14,649,479       | 14,893,970       | 11%                   |
| LAVTR <sup>b</sup>                 | 0                | 0                | 0                | 0                | 0                |                       |
| Delinquent Tax                     | 169,514          | 217,204          | 193,425          | 210,413          | 289,587          | 71%                   |
| Interest on Delinquent Tax         | 4,357            | 5,727            | 6,906            | 6,815            | 4,751            | 9%                    |
| Motor Vehicle Tax                  | 1,745,810        | 1,743,570        | 1,640,524        | 1,591,414        | 1,487,943        | -15%                  |
| Recreational Vehicle Tax           | 17,257           | 17,228           | 16,559           | 18,449           | 17,431           | 1%                    |
| 1/6/20M Vehicle Tax                | 0                | 0                | 0                | 0                | 0                |                       |
| In Lieu of Tax                     | 0                | 0                | 0                | 0                | 0                |                       |
| Retail Sales Tax <sup>c</sup>      | 3,072,559        | 3,240,780        | 3,382,856        | 3,308,238        | 3,243,296        | 6%                    |
| Severance Tax <sup>d</sup>         | 1,696            | 3,633            | 2,942            | 3,923            | 2,575            | 52%                   |
| Intangible Tax <sup>e</sup>        | 203,806          | 254,447          | 351,481          | 384,730          | 363,470          | 78%                   |
| Special Highway <sup>f</sup>       | 1,098,818        | 1,128,299        | 1,078,402        | 930,967          | 984,000          | -10%                  |
| 911 Tax <sup>g</sup>               | 191,279          | 255,092          | 189,874          | 191,737          | 191,017          | 0%                    |
| Bingo Tax                          | 0                | 0                | 0                | 0                | 0                |                       |
| Transient Guest Tax <sup>c,h</sup> | 0                | 0                | 0                | 0                | 0                |                       |
| Mortgage Reg. Fee                  | 2,097,248        | 1,011,321        | 912,233          | 863,423          | 849,538          | -59%                  |
| Motor Vehicle Reg. Fee             | 242,859          | 343,641          | 337,867          | 341,523          | 345,772          | 42%                   |
| Interest on Idle Funds             | 1,246,844        | 1,228,383        | 748,827          | 418,102          | 271,320          | -78%                  |
| Other Revenues <sup>i</sup>        | 4,151,414        | 8,036,551        | 5,438,250        | 4,934,887        | 11,596,093       | 179%                  |

<sup>a</sup> Revenues do not include unreserved fund balances carried forward from year to year.

<sup>b</sup> The state distributed Local Ad Valorem Tax Reduction (LAVTR) funds to counties based 65 percent on population and 35 percent on tangible assessed valuation for the preceding year. In 2003, LAVTR was suspended due to a state budget shortfall. With the passing of the Commercial and Industrial Machine Tax Exemption, the state was supposed to reinstate LAVTR funds starting in 2009 but counties have not yet received payments.

<sup>c</sup> If there is an "N/A" in place of an amount, records state that the county levied a tax but its budget did not show revenues from the tax.

<sup>d</sup> State severance tax funds are distributed to counties based on their proportionate share of severance tax collections.

<sup>e</sup> The intangibles tax is an optional local tax on residents' interest earnings from investments.

<sup>f</sup> Counties initially receive \$5,000 each from the county distribution of the state special highway fund. The remainder of the fund is distributed to counties based a formula that takes in to consideration the county's proportionate share of motor vehicle registration fees, average daily vehicle miles, and total road miles. In 2003, the funding for this aid program was adjusted in a way to reduce the total amount of aid available. This change was instituted in response to a state budget shortfall.

<sup>g</sup> The 911 tax is an optional local tax collected by local telephone companies on the basis of installed telephone lines.

<sup>h</sup> The transient guest tax is an optional local tax on hotel, motel, and bed and breakfast room rentals.

<sup>i</sup> Other revenues include bond proceeds and other debt, grants, user fees, and miscellaneous revenues. Additional detail is provided on page 24.

## **FISCAL PERFORMANCE**

Fiscal capacity and fiscal effort are indicators of county fiscal performance. A discussion of each and their interpretation follows.

Fiscal capacity is a measure of a county's ability to raise revenues from a given source, such as property taxes. As such, fiscal capacity for a given county is the total amount of tax revenue that would result from applying the average tax rate to the county's tax base. To compare across counties, we divide the county's capacity per capita by the average Kansas county's capacity per capita. This results in an index around 100, where 100 represents the average Kansas county. A fiscal capacity above 100 indicates a county has a greater ability to raise revenues from a given source than the average Kansas county. The opposite is true for a value below 100.

Fiscal effort compares a county's fiscal capacity with its actual revenue collections and indicates how intensively a county is taxing its available revenue base. By expending more effort (e.g., increasing the rate at which local taxes are levied or reducing the proportion of the tax base that is exempt from taxation) counties may raise more revenue than their capacity. Similarly, by expending less effort, counties may raise less revenue than their capacity. As above, an index around 100 is used to make comparisons across counties. A value below 100 indicates the county has a lower tax rate and/or allows more tax exemptions than the average county. The opposite is true for a value above 100.

High fiscal capacity combined with low fiscal effort is generally considered the most desirable situation for county government. Greater fiscal capacity indicates that a county has greater "wealth" to draw upon and allows it more flexibility in structuring its revenue mix. A low fiscal effort suggests a county has untapped ability to raise new revenue if needed, but could also point to an over dependence on other revenue sources. The opposite situation, low fiscal capacity and high fiscal effort, typically signals a county is experiencing financial stress.

Fiscal capacity and effort are particularly valuable for evaluating revenue sources within the county's control. Following is a presentation of fiscal capacity and effort measures from 2006 to 2010 for property and sales taxes, as well as a discussion of user fees.

### **Property Tax**

Property tax capacity reflects the county's relative assessed value per person. In 2010, Riley County had a fiscal capacity of 47, indicating that its per capita assessed valuation was 47 percent of that in the average Kansas county.

Property tax effort reflects the county's relative property tax rate. Riley County's fiscal effort was 52 in 2010. This indicates the county raised 52 percent of its property tax capacity by taxing its available property tax base at a lower rate than the average Kansas county.

Between 2006 and 2010, Riley County's property tax fiscal capacity increased from 44 to 47, and its fiscal effort declined from 63 to 52. Table 9 and Figure 7 summarize Riley County's property tax capacity and effort from 2006 to 2010.

## Sales Tax

The interpretation of sales tax capacity and effort is somewhat more complicated than that of property tax capacity and effort. First, 18 counties in Kansas did not have a retail sales tax as of December 31, 2010. These counties with a sales tax rate of zero strongly influence the average, resulting in a lower capacity and higher effort than might otherwise be expected for counties with a retail sales tax. For those counties without a retail sales tax, capacity still indicates the relative strength of the sales tax base, but effort is zero because they have no sales tax collections.

Second, sales tax effort reflects both the county's relative sales tax rate and the state's method of distributing county sales tax revenues to counties and cities. This distribution varies by county because it is based on a statutory formula that depends on both the percent of the county's population living in cities and city/county property tax revenues from the previous year. In general, counties with a high percentage of their population living in cities have a lower sales tax effort and vice versa.

Sales tax capacity reflects the county's relative taxable retail sales per person. In 2010, Riley County had a fiscal capacity of 86, indicating that its per capita taxable retail sales were 86 percent of those in the average Kansas county.

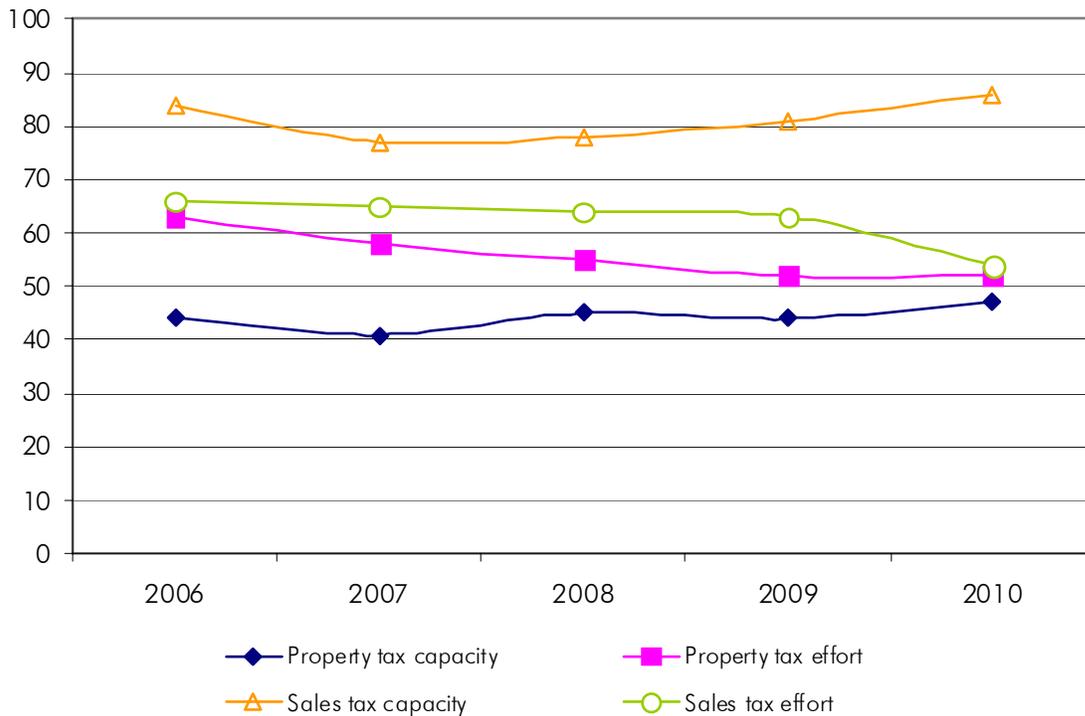
**Table 9. Property and sales tax capacity and effort, Riley County, 2006-2010**

|                       | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> |
|-----------------------|-------------|-------------|-------------|-------------|-------------|
| Property tax capacity | 44          | 41          | 45          | 44          | 47          |
| Property tax effort   | 63          | 58          | 55          | 52          | 52          |
| Sales tax capacity    | 84          | 77          | 78          | 81          | 86          |
| Sales tax effort      | 66          | 65          | 64          | 63          | 54          |

Sales tax effort reflects both Riley County's relative sales tax rate and the state's method of distributing county sales tax revenues. Comparing the county's 2010 fiscal capacity with its actual sales tax revenues yields a fiscal effort of 54. In other words, the county raised 54 percent of its sales tax capacity. As described above, this may indicate that the county is taxing its available retail sales tax base at a lower rate than the average Kansas county and/or that a higher than average proportion of the county's population lives within city limits.

Between 2006 and 2010, Riley County's sales tax fiscal capacity increased from 84 to 86, and its fiscal effort declined from 66 to 54. Table 9 and Figure 7 summarize Riley County's sales tax capacity and effort from 2006 to 2010.

**Figure 7. Property and sales tax capacity and effort, Riley County, 2006-2010**



## User Fees

User fees are an increasingly important source of revenue for county governments. Data from the 1997 and 2007 Census of Governments indicates that, between 1987 and 2007, county government user charges more than tripled from nearly \$26 billion to over \$80 billion. By 2007, user fees accounted for 17 percent of total U.S. county revenue and 24 percent of total Kansas county revenue.

User fees have been a source of county revenue in Kansas for some time. State law requires the use of some user fees (i.e., motor vehicle and mortgage registration fees). Others are determined on a per use basis, though rates are often restricted by law (i.e., utility charges and solid waste tipping fees). Kansas counties are increasingly applying user fees to such “nonessential” local government services as parks and recreation, libraries, and public transportation, where they have more flexibility setting rates.

While somewhat limited in scope, user fees do offer counties another revenue source within their control. Plus, by charging only the beneficiaries of a service, fees provide an alternative to the often unpopular property tax.

## **LOCAL FISCAL POLICY**

Local financial management is becoming increasingly complex. The responsibilities of local governments continue to grow, while public service expectations remain high. This challenges governments to raise sufficient revenues while controlling their expenditures.

### **Revenues**

Four major revenue sources are within local control: property taxes, sales taxes, user fees, and intergovernmental transfers and aids. Each presents its own challenges.

Kansas county governments remain highly dependent on property taxes as a revenue source. But, increasing public dissatisfaction with the property tax is forcing counties to find other ways to fund local services.

Imposing or increasing a local sales tax is often greeted with opposition from citizens and the local business community based on fears that it may adversely affect retail competitiveness. Combining the sales tax with efforts to foster a healthy environment for business activity may reduce opposition and benefit county revenue by boosting both retail sales and sales tax revenues.

While their use is still somewhat limited, user fees are becoming an increasingly important revenue source for Kansas counties. As user fees apply to only the beneficiaries of a service, they can be a fair and efficient way to finance public services. Of course, there must always be a distinction between services subject to user fees and those that should be available to all citizens regardless of their ability to pay.

Many intergovernmental transfers and aids are formula-based, but others rely on local initiative. Grant funds are often available from the state and federal government for communities that go through an application process. Such applications, however, typically require a serious commitment of local resources and, if successful, provide funding for only a limited period of time.

Generally, a local government should use a revenue mix that provides adequate, stable funding without placing an unfair burden on any particular group. There is no universally optimal mix, however. It depends on local needs, preferences, and resources. The following should be considered when evaluating local revenue sources:

Adequacy: Is the revenue source regular, reliable, and not susceptible to economic change?

Adaptability: Can rates be easily adjusted to meet changing needs and avoid shortfalls?

Administrative ease and economy: Is it simple and inexpensive to administer?

Economic effects: How does it affect local resource use and growth?

Social acceptability: How do citizens and businesses perceive the tax?

Fairness: Does it treat people uniformly and conform to social definitions of fairness, such as ability-to-pay? Do those who benefit the most pay the most?

## Expenditures

Controlling expenditures is also an important component of local fiscal policy, as it helps keep taxes low. It should, however, be done with the level of service local government wants to provide in mind. Performance standards provide a means for local governments to ensure that a given level of expenditure is accomplishing their goals. Several strategies for controlling local expenditures are outlined below.

Cutting spending is, perhaps, one of the more obvious means of controlling expenditures. It is often very difficult, however, because it generally means reducing or eliminating services for certain constituents and inevitably affects local government employees. Some options include:

- Cutting programs across-the-board
- Cutting programs selectively
- Subcontracting operations, services, and programs
- Offering early retirement
- Reducing work hours
- Redefining departments and jobs
- Increasing worker productivity through training and technology

Counties, at times, attempt to reduce current spending by delaying infrastructure maintenance. This method generally proves ineffective, however, as rebuilding or replacing infrastructure is typically far more costly in the long-term than regular maintenance.

Changing the way services are provided is another means of controlling local expenditures. Privatizing services may make sense, but should be done only after careful study. Other alternatives include: public-private partnerships, collaborating with other units of local government, consolidating, and using local volunteers. While these strategies can be very effective, they require careful planning and feasibility analysis.

Long-term planning during budgeting can also help local governments control their expenditures. Planning means anticipating future needs, the timing of expenditures, and the total cost of projects and is particularly important for new development and capital expenditures. A capital improvements plan is often used to anticipate the order, timing, and financing of capital expenditures.

Effectively using debt is another strategy for controlling local government expenditures. Governments use debt primarily for long-term infrastructure investment. This amortizes costs over the life of the investment, reducing the immediate financial burden and allowing future beneficiaries to pay their fair share. Debt should never be used to reduce current property taxes. Financial advisors are available to assist local governments in their use of debt.

## **Fiscal Management**

To be effective, fiscal management must be a regular part of local government operations. Tracking monthly revenues and expenditures is vital. Regular monitoring and immediate action throughout the year will reduce budgetary stress. Investing idle funds where they yield the greatest return is appropriate as long as the investments are safe and funds available when needed. Fiscal impact studies can help avoid unexpected costs. These studies anticipate all costs (direct and indirect) associated with a project. Perhaps most importantly, policymakers should regularly and formally discuss fiscal issues, evaluate current policy, and consider policy alternatives. A proactive, long-term approach helps to ensure quality services, low taxes, and fiscal stability for current and future generations.

## **CONCLUSION**

Generally, Kansas counties are fiscally sound. Many factors affecting fiscal management and performance are largely beyond local control, including changes in demographics, economic conditions, state and federal mandates, and public needs and preferences. This report, however, provides a starting point for thoughtful discussion on matters that are within local control. Understanding conditions and trends is important for evaluating past performance and planning for the future. This information, combined with knowledge of the local situation, provides a basis for improving county fiscal management and performance.

## **NOTES ON OUR ACCOUNTING CONVENTIONS**

The information found in this report reflects many of the characteristics of the budget documents used as the source for the *Kansas Fiscal Database*. Here we describe accounting conventions adopted in the construction of the database that may affect the trends presented in this report.

### **Interpreting Trends**

At times, readers may observe large changes in the level of expenditures for a given function or revenues from a given source. Changes typically reflect either a large capital outlay or a change in local accounting practices. To distinguish a change in local accounting practices, it is often helpful to look for a corresponding shift in another revenue or expenditure category.

### **Comparison Across Places and Over Time**

In general, we provide as much detail as possible in accounting for functional expenditure categories. That is, we present as many separate expenditure categories as possible. For some counties, it is possible to report activity in detail. Many counties, however, consolidate funds in an effort to maintain flexibility in meeting unexpected needs.

Local law enforcement activity provides a good example. Generally, the activity of the sheriff's department is placed in the "law enforcement" category, while activities related to the jail and juvenile justice are put in separate functional categories. In some counties, however, all of this activity is consolidated in the sheriff's budget making it impossible to account for jail and juvenile justice activities separately.

In addition, local accounting practices may have changed during the reporting period, presenting expenditures in either greater or lesser detail. Thus, the reader must have an appreciation of what is included in a particular category over time to best understand the trends associated with that function.

### **Capital Expenditures and Special Assessments**

Another important accounting convention relates to our handling of capital expenditures. Capital expenditures are the investments in the physical infrastructure needed to provide a public service. These investments are often very large and occur only once in a great while. Examples of capital expenditures are a new fire truck, jail, or office computer.

In many cases, budget documents do not provide sufficient detail to fully and accurately account for all capital expenditure activity. Thus, rather than treating some counties differently than others, we group the capital expenditure with the function it was intended to support. For example, landfill closure costs are placed in the "solid waste" category, while installing an elevator in the courthouse is assigned to "general government." The only exception is that all debt costs incurred in making capital expenditures are placed in the "bond and interest" category, regardless of their source.

Since this convention mixes operating and capital expenditure budgets, we will sometimes see a large deviation from a normal trend line when capital expenditures are made. While capital expenditures may not represent the “normal” activity of county government, they do represent the full cost of providing a service. In accounting for capital expenditures in this way, however, it becomes relatively more important to understand details about the special needs of, or investments made by, the county.

In a similar way, we count grants and other special appropriations the county receives. This includes dedicated sales taxes that may “pass through” the county and funds related to special assessments. As with capital expenditures, these activities may not represent “normal” county revenues. Nonetheless, county government enables these activities to occur and without their involvement many important investments would not be made. In this way, the county makes an important contribution to enhancing local economic viability that we believe should be accounted for.

## **Other Revenues**

The “other revenues” category consists of all revenues in the county budget that do not fall into one of the other 19 revenue categories in the database. This includes bond proceeds and debt, grants, user fees, and miscellaneous revenues. Rather than adding these items from each fund in the budget, we generally solve for “other revenues” as a residual. That is, we subtract the other 19 revenue categories from total revenues to obtain “other revenues.” In most instances, these values are nearly identical although we add the “other revenues” items for several counties that typically have a large difference between the two.

## **Kansas County Average**

Finally, when we calculate the Kansas county average for comparison purposes, we are averaging per capita values for the 104 Kansas counties. (Wyandotte County is excluded due to its status as a consolidated city/county government. We are no longer able to separate typical city verses county finances, thus making a fair comparison with other counties is impossible.) This approach minimizes differences in population size between counties. In Kansas, a few more-populous counties have significantly higher levels of revenues and expenditures than the less-populous majority of counties. Thus, we view averaging per capita values as the fairest way to make generalizations about public finances in Kansas.

## **Questions and Suggestions**

Our objective is to provide a fair and accurate representation of county finances. Invariably, some degree of discretion is required to fit activity into the revenue and expenditure categories we have defined. We strive, however, to maintain the consistency of our accounting procedures.

This is not to say that our accounting procedures are static. In fact, we are continually refining them to present the most accurate and useful information possible. As a result, the information presented here may not match that in previous reports.

Questions about our accounting procedures and suggestions for how we can improve this information resource are always welcome. Please direct questions and comments to Dr. John Leatherman using the contact information on page 1.





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