



# County Finances: General Principles and Recent Trends

JANUARY 8, 2019

# General Principles

State constitution and statutory provisions establish the rules the County must follow for budgeting and accounting. State laws also impact the County's revenue and expenditures.

# General Principles

- ▶ Michigan Constitution: Sets the tax requirements and debt limitations for local units of government
- ▶ General Property Tax Act: Establish rules for levying and collecting taxes for certain real property and personal property
- ▶ Revised Municipal Finance Act: Establish rules for bonding and other means of financing
- ▶ Uniform Budgeting and Accounting Act: Gives state oversight of the administration of a local unit's budgeting and accounting

# Michigan Constitution

## Headlee Amendment: Article 9 Section 25-31

- ▶ Prohibits local units of government from raising taxes above specified limitations without voter approval
- ▶ Authorized mills are rolled back due to the effects of inflation - as property values increase, millage rates are decreased
- ▶ This restriction on real and personal property taxes does not apply to new construction

## Debt Limitation: Article 7 Section 11

- ▶ For counties, debt limitation set at ten percent of state equalized value ("SEV")
- ▶ Grand Traverse County's debt limitation is currently 600 million dollars based on approximate SEV of 6 billion dollars

# Uniform Budgeting and Accounting Act

- ▶ Key provision:
  - ▶ Section 1, MCL 141.421(1): The state treasurer shall prescribe uniform charts of accounts....designed to fulfill the requirements of good accounting practices relating to general government. Such chart of accounts shall conform as nearly as practicable to the uniform standards as set forth by the governmental accounting standards board.... and is determined acceptable to the state treasurer. The official...charged with the responsibility for the financial affairs of the local unit shall insure that the local unit accounts are maintained and kept in accordance with the chart of accounts.

# Uniform Budgeting and Accounting Act

## ► Definitions, MCL 141.422a(3) and (4), Section 2a:

(3) “Appropriation” means an authorization granted by a legislative body to incur obligations and to expend public funds for a stated purpose.

(4) “Budget” means a plan of financial operation for a given period of time, including an estimate of all proposed expenditures from the funds of a local unit and the proposed means of financing the expenditures. Budget does not include any of the following:

(a) A fund for which the local unit acts as a trustee or agent.

(b) An internal service fund.

(c) An enterprise fund.

(d) A capital project fund.

(e) A debt service fund.

# Uniform Budgeting and Accounting Act

- ▶ Definitions, MCL 141.422c(1) and (2), Section 2c.
  - (1) “Expenditure” means the cost of goods delivered or services rendered, whether paid or unpaid, including expenses, debt retirement not reported as a liability of the fund from which retired, or capital outlay.
  - (2) “General appropriations act” means the budget as adopted by the legislative body....

# Uniform Budgeting and Accounting Act

- ▶ Definitions, MCL 141.422d (5) and (6), Section 2d.

(5) “Revenue” means an addition to the assets of a fund that does not increase a liability, does not represent the recovery of an expenditure, does not represent the cancellation of a liability without a corresponding increase in any other liability or a decrease in assets, and does not represent a contribution of fund capital in enterprise or in internal service funds.

(6) “Surplus” means an excess of the assets of a fund over its liabilities and reserves.

# Uniform Budgeting and Accounting Act

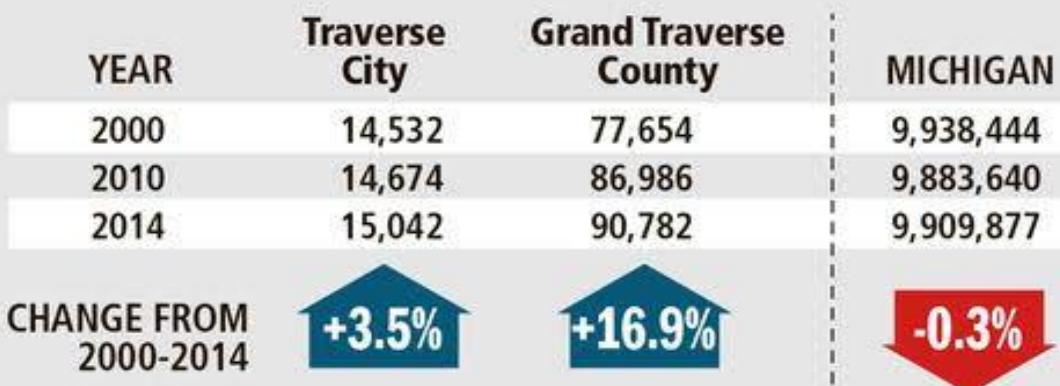
- ▶ As noted, Section 1 states in part “Such chart of accounts shall conform as nearly as practicable to the uniform standards as set forth by the **governmental accounting standards board** (“GASB”)
- ▶ GASB
  - ▶ Is an independent, private-sector organization in existence since 1984
  - ▶ Establishes accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Principles (“GAAP”)
  - ▶ There are several GASB standards that define the various types of funds a local government may have and that set the rules on how funds may be maintained, transferred or used

# Recent Trends

The County's growing population and increased economic development have positive impacts on the County's finances.

# Recent Trends

## TRAVERSE CITY'S AND GRAND TRAVERSE COUNTY'S POPULATIONS INCREASED WHILE STATE'S IS DOWN



SOURCES: U.S. Census Bureau,  
Michigan Department of Management,  
Technology and Budget, Google Maps

KRISTI TANNER and  
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/DETROIT FREE PRESS

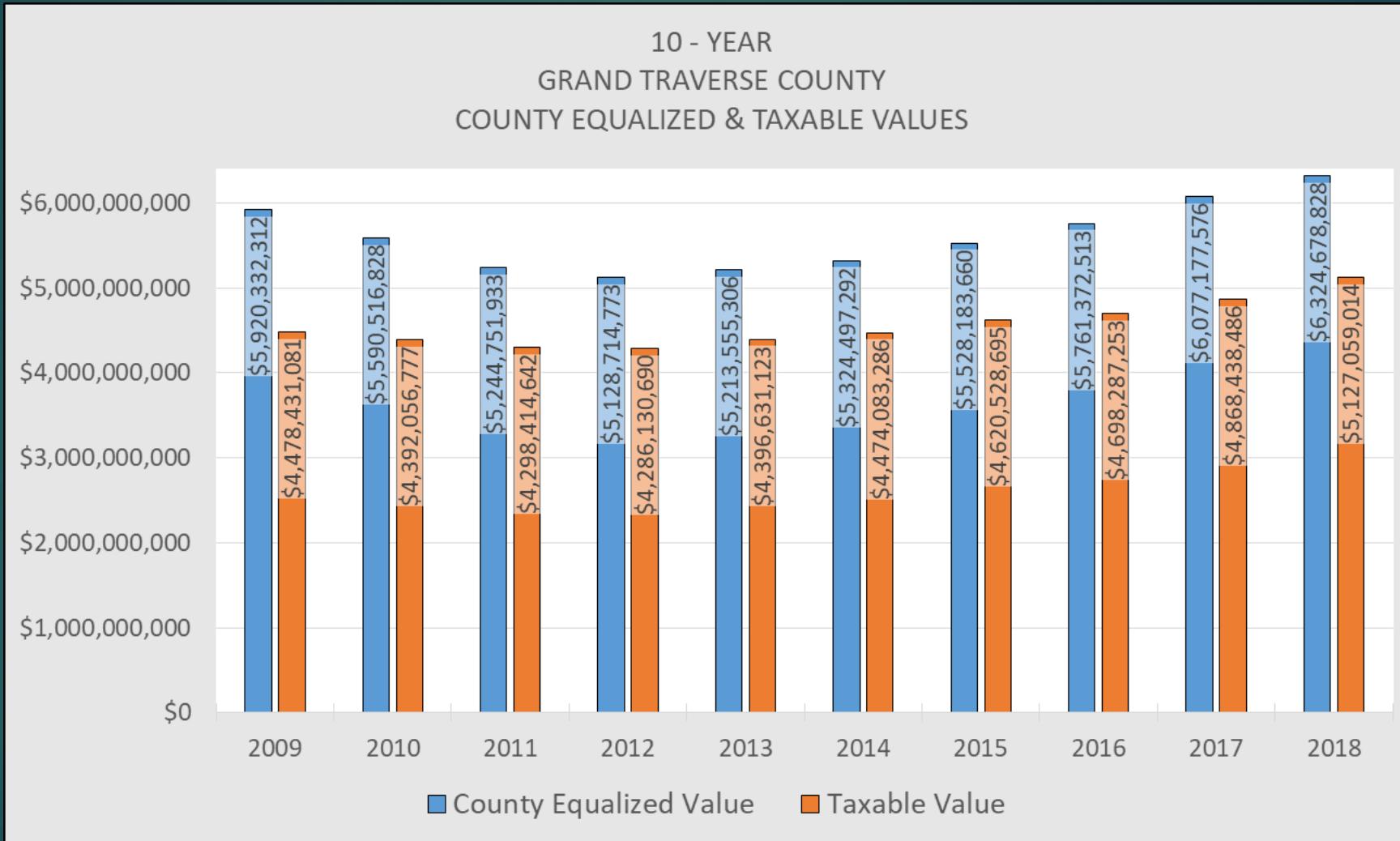
# Recent Trends



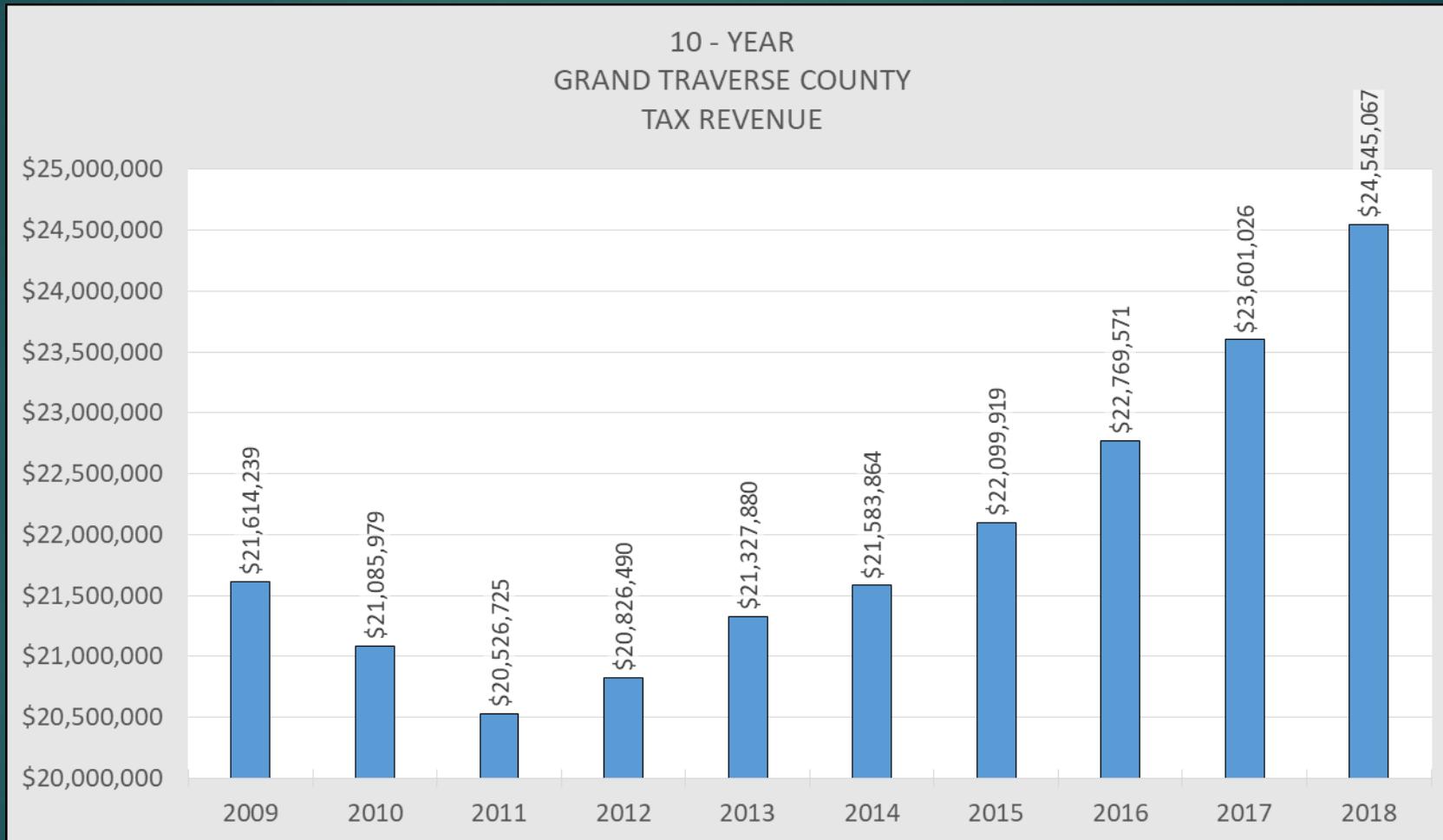
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<hr/>				
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Township	Use	# of Permits	Fees	Est Cost
GRAND TOTALS	RESID-NEW	313	261,028	59,563,271
	RESID-REM	74	26,282	3,485,797
	GARAGE	68	19,767	1,213,740
	COMM-NEW	35	178,545	42,533,675
	COMM-REM	64	55,759	9,384,895
	MOBILE HOM	21	5,262	867,244
	MISC	134	30,240	2,443,066
	RESID-ADD	156	70,650	10,063,066
	COMM-ADD	13	77,546	13,727,048
	OUTBLDGs	55	18,382	1,659,699
	Final Totals	933	743,461	144,941,501



# Recent Trends



# Recent Trends



# Recent Trends

