

## Introduction to the Reader's Guide

The primary purpose of this document is to provide citizens with a comprehensive overview of Kent County's adopted budget and operations. As such, the document outlines the process, policies, priorities and issues involved in developing the budget. The document provides an overview of the budget as a whole, followed by an in-depth look at County departments and programs and the funding associated with each.

The document is divided into the following seven major sections. Each section, with the exception of the Readers' Guide and Appendix, is preceded by an introduction, which provides additional helpful information in reviewing the section.

- A. The READERS' GUIDE serves to orient the reader. The section provides an overview of Kent County and its legislative structure, and outlines the process and policies that guide the development of the budget. Kent County's Mission Statement is also included in this section.
- B. The BUDGET OVERVIEW provides a summary of the adopted Kent County Budget. Included in this section is the Budget Message of the Administrator/Controller outlining the priorities, parameters, and issues involved in developing the budget, and other significant priorities and issues affecting the budget. The Strategic Planning and Budgeting section includes goals by functional areas. The section contains a summary of funding sources and uses to provide an overview of the total resources required by the County for 2007 (actual), 2008 (amended budget), and 2009 (adopted budget). The budget information is summarized in three different ways: by fund type and component unit, by category, and by functional area. The section includes a history of the County's beginning and end-of-year fund balance over the same three-year period. The section also provides a history of the County's personnel.
- C. The FUND SUMMARIES section provides a description and three-year history of each fund, summarized by fund type. The section also includes a detailed summary and history of the County's General Fund. The General Fund is used to account for all revenues and expenditure applicable to the general operations of the County except those required or determined to be more appropriately accounted for in another fund. Revenues are generated primarily from property taxes and intergovernmental sources.
- D. The DEPARTMENT SUMMARIES section contains an overview of County departments and programs. Each overview includes a description of the program or department, including a three-year history of uses and budgeted personnel and an explanation of significant budget issues. Mission statements, goals, and performance measures are also included for each County department. The department overviews are organized under nine functional areas: Community & Economic Development, Cultural & Recreational, Debt Service, Enterprise, General Government, Health & Welfare, Judicial, Public Safety, and Other. The Capital functional area is reported in a separate section. The departmental and program uses for each functional area are summarized "At a Glance" at the beginning of each section. Strategic goals, cross-cutting influencing factors, and short-term tactical objectives by department have been added as part of the Strategic Planning Process completed in 2006. All functional areas have the additional information except Debt Service and Other. The overall strategic goals for the organization are on page B-12 of the Budget Overview under Strategic and Budget Planning.
- E. The CAPITAL section provides an overview of the Capital functional area, which includes expenditures related to Building Authority Construction, Bond Capital Improvement Capital Projects, and the Capital Improvement Program (CIP). The section provides program descriptions, discussion of any significant budget issues, and a three-year history of uses. The CIP description further provides a description of the annual CIP process, significant CIP policies and procedures, a list of the 2009 CIP projects, and a list of potential 2010-2013 CIP projects. The functional area is summarized "At a Glance" at the beginning of the section.
- F. The REVENUE ASSUMPTIONS section describes major revenue sources, offers an explanation of the underlying assumptions for the revenue estimates, and discusses significant revenue trends.
- G. The APPENDIX provides additional information related to the budget process, including the 2009 General Appropriations Act, and information about County debt, vacation and sick leave liabilities, and retirement system. Also included is a glossary to assist the reader.

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## County Profile

Located in Western Michigan, Kent County is the fourth largest population center in Michigan. Covering 864 square miles, the County is home to 604,142 people. The County is composed of twenty-one townships, five villages and nine cities.

The County seat, Grand Rapids, has a population of 201,835 and is 150 miles west of Detroit; 180 miles northeast of Chicago; and 30 miles from Lake Michigan. The greater Grand Rapids area forms the urban center of the County. Grand Rapids is known for being the home of the 38th President of the United States, Gerald R. Ford. The Gerald R. Ford Museum is located in the City of Grand Rapids and the Gerald R. Ford International Airport is located within the County.



*Courtesy Gerald R. Ford Museum*



The Grand River, the largest in Michigan, runs through the County. On its west bank are burial mounds, remnants of the Hopewell Indians who once lived there. The valley of the river served as an important center for the fur trade in the early 1800s. By the end of the century, stimulated by the construction of several sawmills, the area was a significant center for agriculture, logging, and manufacturing furniture.

The County was organized as a county by the territorial legislature on March 24, 1836. The County is governed by a Board of Commissioners (Board) whose numbers ranged from three in 1836 up to 77 as recently as 1968. As a result of a United States Supreme Court decision in 1969, the number

of commissioners was reduced to 21. The Board took action in 1992 to reduce further the number of members to 19 effective January 1993. (More information on the 19 member Board of Commissioners can be found on page A-8.)

The County provides a wide and varied range of services to its citizens. The services include mandated services (i.e. law enforcement, correctional facility, justice system, public health, drain maintenance, general government, elections administration, equalization, Friend of the Court, and solid waste management) and discretionary functions (i.e. parks, zoo, airport, economic development, property description and mapping, and extension services).

### High Quality of Life

With a healthy economy, one of the lowest property tax levies in the State of Michigan, affordable housing, and Midwestern hospitality, Kent County offers the best in both business and family location. Kent County is the economic and manufacturing center of West Michigan. Major employers include Spectrum Health, Meijer Incorporated, Steelcase Incorporated, Alticor Incorporated and Spartan Stores. It is also the home of the Frederik Meijer Gardens, a significant cultural landmark of the Midwest.

Kent County offers a thriving arts community and a diverse range of entertainment options for every season. The County has over 50 parks, offering activities such as golfing, swimming, biking, roller blading, walking, cross country skiing, fishing, boating, camping, and a variety of playing fields. The award-winning 12,000 seat Van Andel Arena, located in Grand Rapids, is home to the Griffins hockey team and the Rampage arena football team, as well as major concerts and sporting events.

## Local Economy

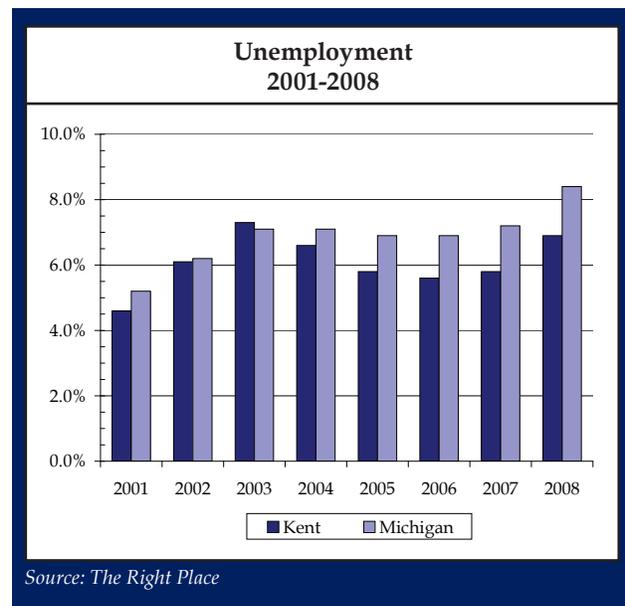
Major industries located within the boundaries of Kent County or in close proximity include manufacturers of office equipment and furniture, heating controls, and automotive parts as well as several financial institutions, health care, retail food and merchandise, and insurance companies. The Grand Rapids metropolitan area, which is the hub of the County, is one of the fastest growing regions of the State. The area has begun to experience significant employment increases in the educational and health services industry. Several projects that will provide additional employment opportunities in this industry are either recently completed, nearing completion or about to break ground. These projects and a brief description of each include:

- *Spectrum Health - Lemmen Holton Cancer Pavilion - The project cost an estimated \$78 million and opened in late 2008. The new, 200,000 square foot, facility will provide a comprehensive cancer treatment program.*
- *Spectrum Hospital - Helen DeVos Children's Hospital - The hospital began construction of a new 400,000 square foot facility in early 2007. This new \$286 million facility is scheduled to open in December 2010.*
- *Metro Hospital - The hospital has moved into a new 208-bed facility located in southwest Kent County. This \$190 million facility opened in September 2007.*
- *VanAndel Institute - This medical research facility broke ground, in 2007, on construction of a 240,000 square foot addition to its existing research complex. This \$170 million project is scheduled for opening in 2009. When fully built out, the facility will have space to accommodate 800 researchers and administrative staff.*
- *Michigan State University Medical School - Construction of a new \$90 million, 180,000 square foot, medical school began in the spring of 2008. The MSU college of Human Medicine began to transition its programming to temporary facilities in the fall of 2008. The new medical facility will be opened in 2010 and is expected to reach capacity of 400 students in 2013.*
- *Saint Mary's Health Care - Hauenstein Center - The hospital broke ground, in 2006, on the construction of a new 145,000 square foot neurosciences services facility. This \$60 million facility opened in February 2009.*

Factors that have encouraged major projects and have attracted numerous firms from outside the area are: a strong but highly diversified base of industries, an excellent work force, educational opportunities,

excellent employer/employee relations, good location and transportation facilities, utilities and possibly the most important, quality of life.

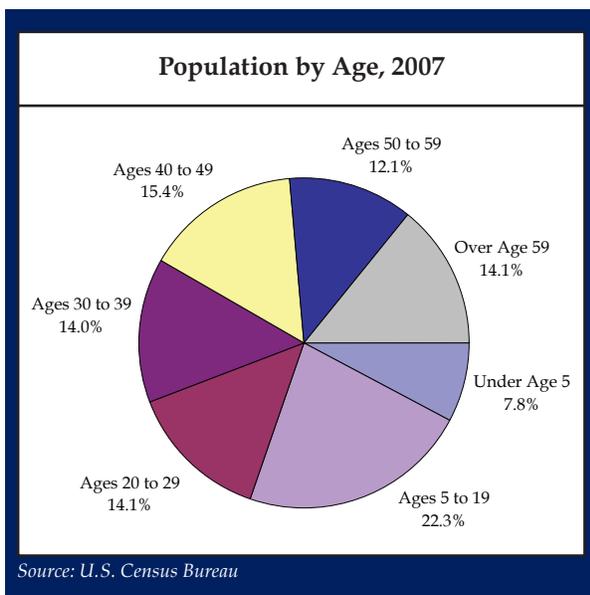
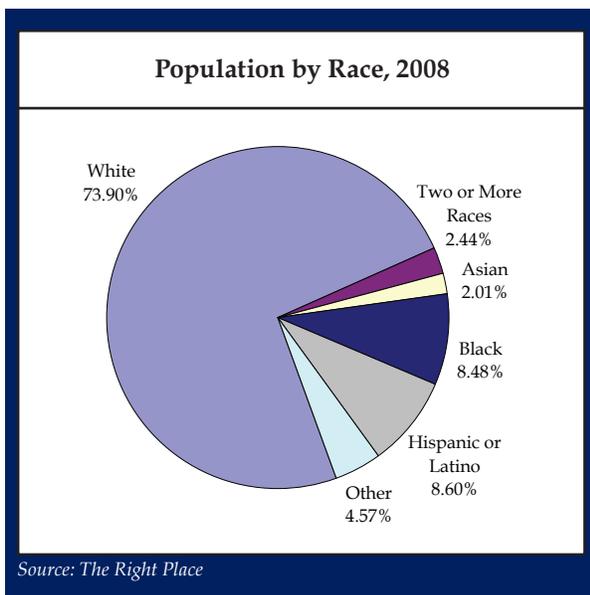
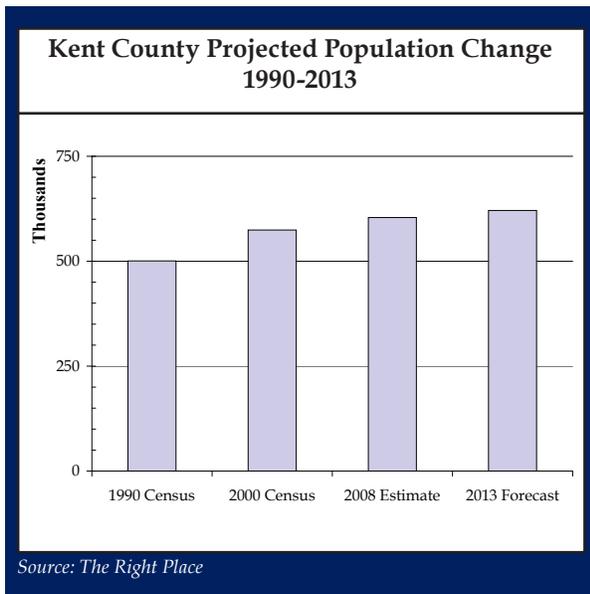
The County has experienced a favorable local economic environment for a number of years. The area has a diversified employment base, which adds to the strength of the local economy. However, recently the County has experienced weak job growth and a poor housing market. During the past eight years, the unemployment rate has fluctuated from a decade low of 4.6% (2001) to a decade high of 7.3% (2003), to the current rate of unemployment as of December 2008 at 6.9%. Unemployment is expected to remain stable or decrease still further due to the economy discussed above.



## Population Statistics

In terms of population, Kent County is the fourth largest county in the State of Michigan, and growing. According to the 2000 Census, the County grew by 14.7% over the prior 10 years. The growth for the State of Michigan over the same period was 6.9%. Current projections indicate that the County's population will grow to an estimated 620,936 in year 2013. The combination of diverse employment opportunities, cost of living, and a high quality of life has Kent County growing at a much faster rate than the State of Michigan.

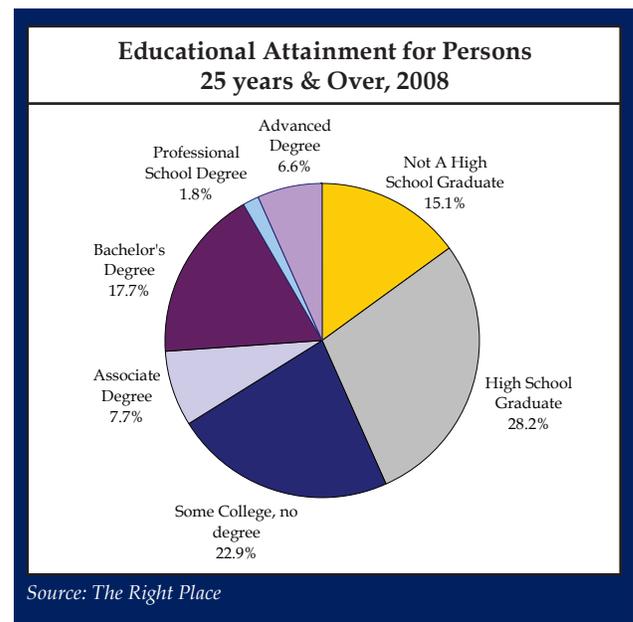
According to 2008 Right Place estimates, there were 604,142 people. The racial makeup of the County was 73.90% White, 8.60% Hispanic or Latino, 8.48% Black or African American, 2.01% Asian, 4.57% from other races, and 2.44% from two or more races.



Per the U.S. Census Bureau, the County population was spread out with 7.8% under the age of 5, 22.3% from 5 to 19, 14.1% from 20 to 29, and 14.0% from 30 to 39, 15.4% from 40 to 49, 12.1% from 50 to 59, and 14.1% were 59 years of age or older. The median age was 34.3 years. For every 100 females, there were 98.02 males.

### Education Statistics

There are 26 school districts and five intermediate school districts located, in whole or in part, in the County. There are numerous non-public schools serving diversified religious denominations and 17 charter schools in the County. Aquinas College, Calvin College, Cornerstone University, Grand Valley State University, Grand Rapids Baptist College, Grand Rapids Community College, Ferris State University, Davenport University, Kendall College of Art and Design of Ferris State University, the University of Phoenix and Western Michigan University have campuses located within the County. The main campuses of Grand Valley State University, Western Michigan University and Michigan State University are located within commuting distance of the County.



- 84.9% of people 25 years and over had at least graduated from high school.
- 24.3% of Kent County residents, 25 years and over, had a bachelor's degree or higher.
- Among people 25 years and over, 15.1% were not high school graduates.

### Employment Statistics

Kent County has a rich history of industry, including agriculture, furniture crafting, and automobile manufacturing. Located just a few hours from Detroit, Chicago, Cleveland, and Toledo, the County is within a day's drive of half the country's population, half its manufacturing base and nearly half its retail sales.

Manufacturing, educational services and business services, in terms of United States location quotient, are the most dominant in the County. The Manufacturing industry has an LQ of 1.63. In other words, the percent of total jobs in the Manufacturing sector is 1.63 times greater than the U.S. average, showing signs that Kent County produces more than its local requirement of products and/or services of Manufacturing.

Educational & Health Services is the industry that has grown the most in terms of employment from 2003-2007 in Kent County, moving a total of 12.1% or 6,400 jobs. The State of Michigan underwent an employment change in the industry of 9.0%, over the same period of time.

Manufacturing between the years 2003 and 2007, saw the greatest loss of jobs in Kent County. The sector dealt with a loss of 2,600 jobs during the period, or 3.5% of jobs in the industry. The losses in this industry made up 26.3% of all employment losses in the County.

The median income for a household in the County was \$46,826, and the median income for a family was \$57,288. Males had a median income of \$43,464

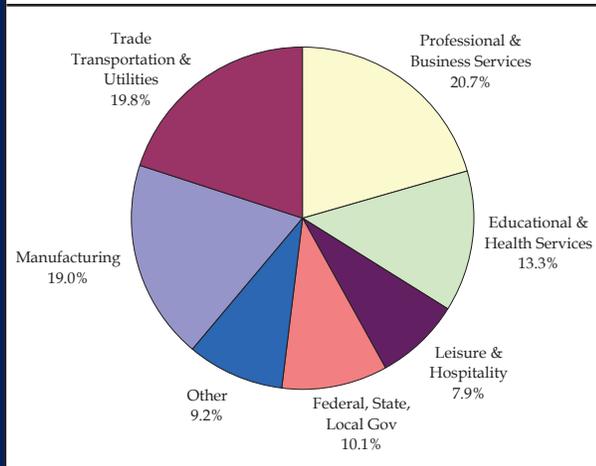
versus \$32,070 for females. The per capita income for the County was \$33,627. Of the population for whom poverty status is determined, 12.9% is below the poverty level. Out of the total people living in poverty, 36.2% are under the age of 18 and 6.80% are 65 or older.

#### Top Kent County Employers:

Spectrum Health	13,000
Meijer Inc.	7,000
Steelcase Inc.	5,000
Axios Inc.	4,100
Alticor	4,000
Walmart	3,432
Spartan Stores	2,989
Grand Rapids Public Schools	2,885
St. Mary's Health Care	2,635
General Motors	2,500
United States Postal Services	2,500
City of Grand Rapids	2,491
Metrolian Health	2,200
Lacks Enterprises	2,175
Kent County	2,128
Grand Valley State University	2,023
Fifth Third Bank	1,990
Mercy General Health Partners	1,955
Wolverine World Wide, Inc.	1,925
GE Aviation	1,600
Dematic Corp.	1,500

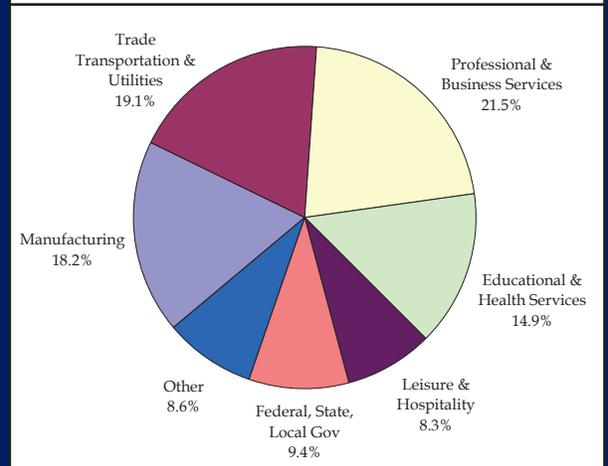
Source: The Right Place Inc. - December 2008

#### Kent County Employment by Industry, 2003



Source: Michigan Department of Labor and Economic Growth

#### Kent County Employment by Industry, 2007



Source: Michigan Department of Labor and Economic Growth

<b>Kent County/Michigan QuickFacts:</b>	<b>Kent County</b>	<b>Michigan</b>
<b>People</b>		
Population, 2007 estimate	604,330	10,071,822
Population, percent change, April 1, 2000 to July 1, 2007	5.2%	1.3%
Population, 2000	574,335	9,938,444
Persons under 5 years old, percent, 2007	7.7%	6.3%
Persons under 18 years old, percent, 2007	27.2%	24.3%
Persons 65 years old and over, percent, 2007	10.3%	12.7%
Female persons, percent, 2007	50.5%	50.8%
White persons, percent, 2007	86.1%	81.2%
Black persons, percent, 2007	9.4%	14.3%
American Indian and Alaska Native persons, percent, 2007	0.5%	0.6%
Asian persons, percent, 2007	2.1%	2.4%
Native Hawaiian and Other Pacific Islander, percent, 2007	0.1%	
Persons reporting two or more races, percent, 2007	1.8%	1.5%
Persons of Hispanic or Latino origin, percent, 2007	9.2%	4.0%
White persons not Hispanic, percent, 2007	77.8%	77.6%
Living in same house in 1995 and 2000, pct 5 yrs old & over	52.4%	57.3%
Foreign born persons, percent, 2000	6.6%	5.3%
Language other than English spoken at home, pct age 5+, 2000	10.2%	8.4%
High school graduates, percent of persons age 25+, 2000	84.6%	83.4%
Bachelor's degree or higher, pct of persons age 25+, 2000	25.8%	21.8%
Persons with a disability, age 5+, 2000	85,304	1,711,231
Mean travel time to work (minutes), workers age 16+, 2000	20.7	24.1
Housing units, 2007	243,481	4,527,655
Homeownership rate, 2000	70.3%	73.8%
Housing units in multi-unit structures, percent, 2000	26.9%	18.8%
Median value of owner-occupied housing units, 2000	\$115,100	\$115,600
Households, 2000	212,890	3,785,661
Persons per household, 2000	2.64	2.56
Median household income, 2007	\$49,703	\$47,931
Per capita money income, 1999	\$21,629	\$22,168
Persons below poverty, percent, 2007	13.1%	13.9%
<b>Business</b>		
Private nonfarm establishments, 2006	16,264	235,750
Private nonfarm employment, 2006	326,148	3,819,537
Private nonfarm employment, percent change 2000-2006	-2.9%	-6.2%
Nonemployer establishments, 2006	37,897	627,284
Total number of firms, 2002	45,993	735,531
Black-owned firms, percent, 2002	3.8%	6.0%
American Indian and Alaska Native owned firms, percent, 2002	0.6%	0.7%
Asian-owned firms, percent, 2002	1.6%	2.1%
Native Hawaiian and Other Pacific Islander owned firms, percent, 2002		0.0%
Hispanic-owned firms, percent, 2002	1.5%	1.3%
Women-owned firms, percent, 2002	28.7%	29.6%
Manufacturers shipments, 2002 (\$1000)	13,712,152	221,433,262
Wholesale trade sales, 2002 (\$1000)	16,690,424	165,958,945
Retail sales, 2002 (\$1000)	8,203,468	109,350,139
Retail sales per capita, 2002	\$13,985	\$10,889
Accommodation and foodservices sales, 2002 (\$1000)	773,516	12,248,269
Building permits, 2007	1,388	17,767
Federal spending, 2007 (\$1000)	2,958,457	71,651,573
<b>Geography</b>		
Land area, 2000 (square miles)	856.17	56,803.82
Persons per square mile, 2000	671	175

Source: U.S. Census Bureau: State and County Quick Facts

**Top Kent County Taxpayers (2008):**

Top Taxpayers	Parcels	Taxable Value
Consumers Energy	560	204,917,576
Amway Corp/Alticor	92	203,184,604
Steelcase, Inc.	40	133,549,372
Meijer / Goodwill	62	114,758,910
PR Woodland	9	66,950,284
MI Con Gas	69	60,802,439
Fifth Third Bank	107	48,525,325
Holland Home	19	44,975,305
GGP Grandville	12	42,841,395
General Motors	126	41,109,190
Keebler Company	11	39,139,400
Wolverine Worldwide	32	16,837,686
<b>Total Top Taxpayers</b>	<b>1,139</b>	<b>1,017,591,486</b>
Total County		21,754,807,956
Top Taxpayers/County		4.68%

Source: County of Kent, 2008

**Board of Commissioners**

The chief legislative and policy-making body of Kent County Government is the 19-member Board of Commissioners. Commissioners are elected, on a partisan basis, to 2-year terms from districts that are roughly equal in population.

Regular meetings of the Board of Commissioners are open to the public and are held in the Board of Commissioners' Room on the third floor of the County Administration Building. Items that appear on the Board of Commissioners' agenda are usually first considered by one of two standing committees, the Finance and Physical Resources Committee and the Legislative and Human Resources Committee. Membership of the standing committees is composed of Commissioners, who are appointed by the Board Chair at the beginning of each new year.

***Kent County Mission Statement***

*The mission of Kent County government is to be an effective and efficient steward in delivering quality services for our diverse community. Our priority is to provide mandated services, which may be enhanced and supplemented by additional services to improve the quality of life for all our citizens within the constraints of sound fiscal policy.*

**Duties of the Board of Commissioners:**

- Approving a mission statement for the County;
- Adopting the annual County budget. This includes approving the annual budgets of other, independently elected, County officials: the Sheriff, the County Clerk, the Drain Commissioner, Judges of the 17th Circuit Court and 63rd District Court, the Prosecutor, and the Treasurer;
- Raising the money to fund the County's operations by levying property taxes, setting fees, selling bonds or borrowing;
- Selecting a County Administrator/ Controller to supervise the day-to-day operations of County departments;
- Determining the sites of County buildings, and purchasing or disposing of County-owned property and facilities;
- Representing the County, and managing its property and business by adopting rules, regulations, ordinances and policies; and
- Appointing citizen members to County boards, commissions, and committees, which provide oversight for significant County services.

The Board welcomes the public to express their ideas or concerns about issues affecting Kent County Government during meetings of the Board or its Standing Committees. A citizen may speak by approaching the podium and being recognized by the Board Chair during the "Public Comment" item on the meeting agenda.

**Other Elected Officials**

The following officials are elected to four-year terms in the general presidential election.

The County Clerk/Register of Deeds manages County elections, serves as the Register of Deeds, manages vital County records, and serves as the Clerk of the Circuit Court. This position also serves as the Clerk of the Board of Commissioners.

The County Treasurer serves as the custodian of all County funds and is responsible for receipting, recording, and investing all money deposited.

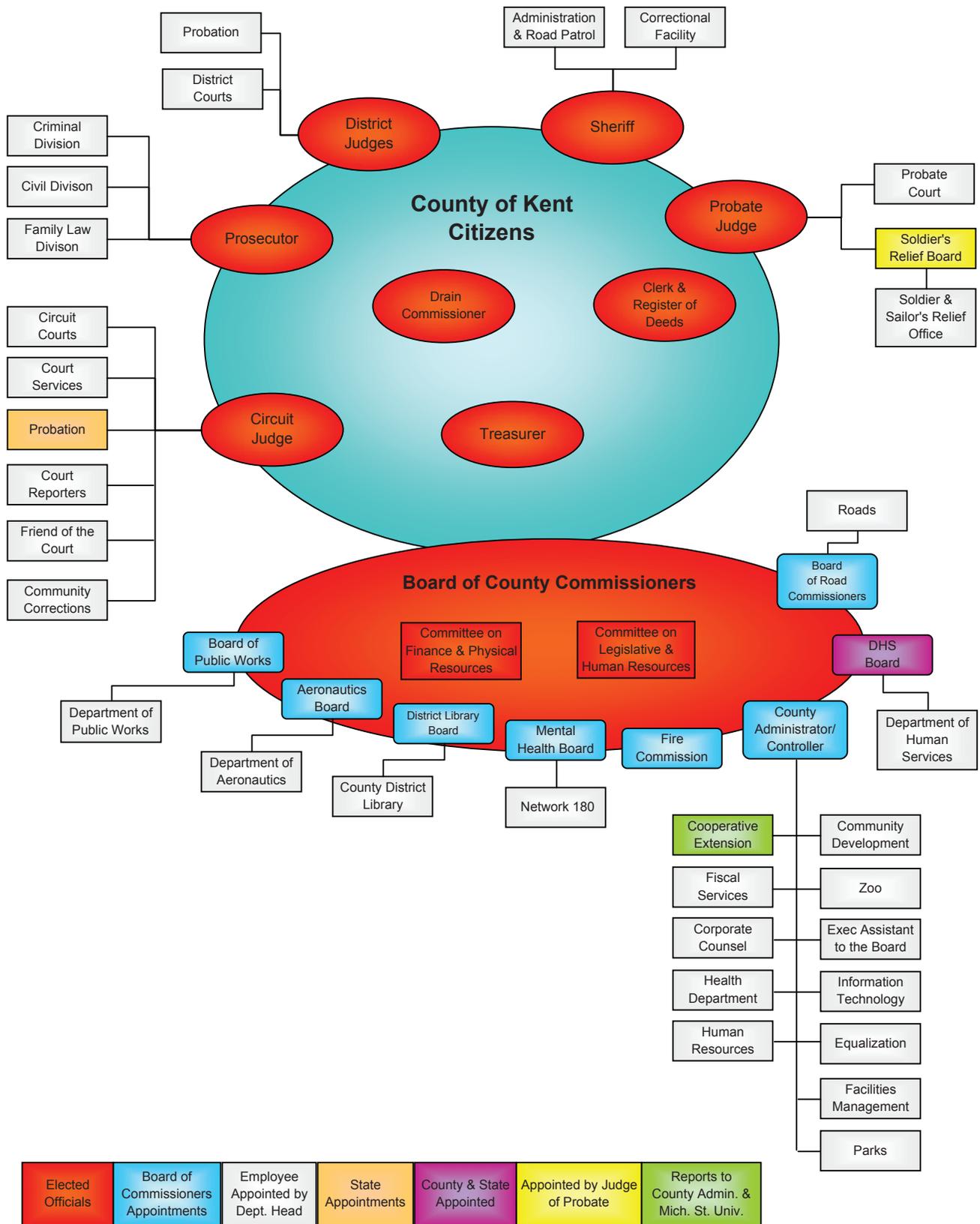
The County Drain Commissioner administers the the State Drain Code as it applies to the receipt of petitions for the establishment, improvement or maintenance of County drains. Under the Subdivision Control Act, this office also reviews stormwater plans for all plats developed within the County. Other duties include the administration of established lake levels under the Lake level Act.

The Prosecuting Attorney appears on behalf of the State or the County in proceedings brought before the Circuit Court, District Court, and Probate Court. The Prosecuting Attorney shares jurisdiction with the Michigan Attorney General for any crime committed in Kent County, but is independent of that state office.

The Sheriff oversees the provision of law enforcement and corrections programs and services to the community as mandated by Statute or dictated by the Board of Commissioners and County citizens.

The voters of Kent County also elect Circuit, District, and Probate Court Judges.

# Kent County Organization Chart



## The Budget Process

The Kent County Budget is a plan that annually directs the provision of County services and facilities. The annual budget represents the Kent County Board of Commissioners' commitment to provide quality services to its residents in a cost-effective and efficient manner within the boundaries of available resources. State statutes require that the annual budget be balanced with revenues/resources equaling or exceeding estimated expenditures. With the exception of a few funds, which account for programs funded on the State or another funding source's fiscal year, Kent County budgets on a calendar year basis. Adoption of the September 30th fiscal year-end budgets in September ensures that appropriations are in place for those departments budgeted on the State's fiscal year. The remaining budgets are adopted in December.

### Budget Calendar

Date	Responsibility	Description of Key Events
May 13	Administrator; Fiscal Services	Policy statement and economic forecast presented to department directors.
Jun 9	Fiscal Services	Distribute budget development guidelines and forms to department directors and elected officials for CIP requests.
Jun 17	Administrator; Finance Committee; Fiscal Services	Budget parameters/guidelines established.
Jul 8	Department Directors	Return completed CIP requests to Fiscal Services in accordance with guidelines.
Jul 14	Fiscal Services	Distribute budget development guidelines and forms to department directors and elected officials for operating budget requests.
Jul 15	Administrator; Fiscal Services	CIP requests presented to the Finance Committee.
Aug 4	Department Directors	Return completed operating budget requests to Fiscal Services in accordance with guidelines.
Aug 5	Administrator; Fiscal Services	Administrative CIP recommendations presented to the Finance Committee.
Sep 2	Administrator; Fiscal Services	Operating budget requests presented to the Finance Committee.
Sep 16	Administrator; Fiscal Services	Administrative Recommendation for Sep 30th Fiscal Year-Ends
Sep 25	Board of Commissioners	Take action on the motion to adopt the proposed Sep 30th Fiscal Year-End budgets.
Nov 4	Administrator; Fiscal Services	Operating budget administrative recommendation presented to the Finance Committee.
Nov 4	Board of Commissioners	Establish date for public hearing on budget and millage rates.
Nov 20	Administrator; Board of Commissioners	Public hearing on budget and millage rates.
Dec 11	Board of Commissioners	Take action on the motion to adopt the proposed budget.

## **Budget Preparation**

Kent County involves a number of staff from throughout the organization to develop its budget. The Administrator/Controller annually appoints individuals from both administrative and nonadministrative departments to participate in budget review teams: each committee has an objective set of criteria and evaluation process. Recommendations from these committees are reviewed with the Administrator/Controller and the appropriate standing committee of the Board prior to being included in the recommended budget presentation. The Capital Improvement Program Review Committee (CIPRC) reviews all requests for capital projects valued at \$25,000 and over. The Personnel Review Committee (PRC) reviews all new staffing requests. (The PRC process was not conducted for the 2009 budget due to a moratorium on new hires.) There is also an Operating Budget Review Committee (OBRC), consisting of individuals from the Administrator's Office and Fiscal Services Department which reviews all operating budget requests, and prepares the recommended budget in consultation with the Administrator/Controller.

During the month of May, the budget staff begins to brief the County Administrator/Controller and the Finance and Physical Resources Committee of the Board of Commissioners on the financial outlook for the upcoming fiscal year. Financial forecast assumptions are updated, analyzed, and discussed and their impact upon the upcoming budget is reviewed. The Finance and Physical Resources Committee, with assistance from the Administrator/Controller, determines a preliminary target for the total County Budget as well as any special concerns that should be emphasized in the preparation of the next budget, for example, the moratorium on new positions instituted. The Administrator's Office uses these decisions to develop the budget guidelines for the County departments.

Also, in May, the Finance and Physical Resources Committee decides upon a specific level of total funding and the proposed level of property tax levy to support that budget, and recommends to the Board of Commissioners the millage rate for the coming year. The Board of Commissioners sets a public hearing date under the provisions of the Truth and Taxation and Uniform Budget laws of the State of Michigan.

Throughout June, July and the first week of August, department directors prepare capital, personnel and operating budget requests based on these guidelines and an analysis of department needs and submit the requests to the Administrator's Office. The CIPRC complete their review process first, and forward their results to the OBRC.

In early September, the OBRC begins meetings to review departmental operating budget requests. Additional information is requested, and if necessary, department directors meet with the OBRC. During the 2009 process, departments were instructed to reduce their requests to revised target levels. Throughout the summer, the Administrator/Controller provides regular briefings to the Finance and Physical Resources Committee on the budget development process. Fiscal Services staff, in conjunction with the OBRC and in consultation with the Administrator/Controller, compiles a proposed budget which is formally presented to the Finance and Physical Resources Committee late in September.

## **Public Hearing**

The public hearing, typically set for the Board of Commissioners' first meeting in November, provides an opportunity for citizens to voice their opinion as to the appropriateness of the proposed budget and millage levy. A notice of the hearing is published not less than two weeks before it occurs in a newspaper of general circulation in the County.

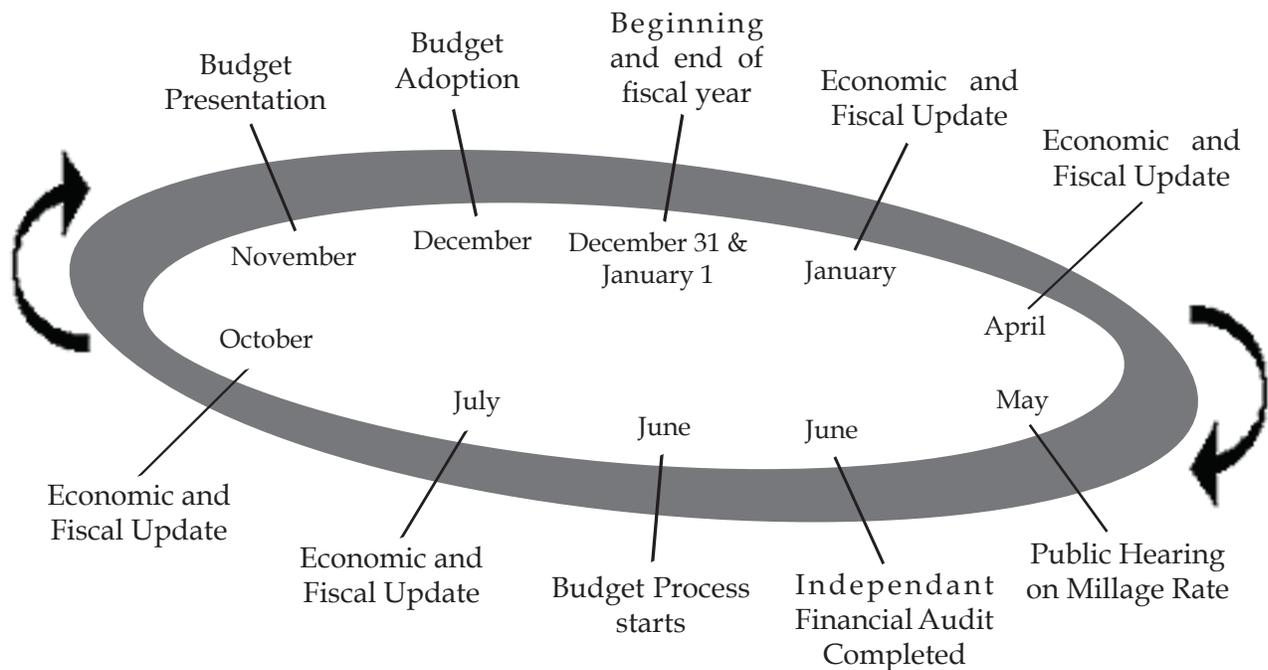
## **Budget Approval and Amendment**

The Board of Commissioners, based on the input from the public hearing, instructs the Administrator's Office to make any appropriate amendments to the proposed budget. The Board of Commissioners then approves the budget at its second meeting in December.

After the final approval of the budget by the Board of Commissioners, only limited budget changes can be made. A department may transfer its allocated funds internally from one account to another only with administrative approval. The one exception to this policy is that funds in Salary Accounts may not be transferred to other operating accounts within the department's budget until the eleventh month of the budget. Funds cannot be moved from one department to another without formal approval by resolution of the Board of Commissioners

upon recommendation of the Administrator's Office. Requests for additional appropriations for new programs or staffing during the budget year require appropriate recommendation from the Administrator/Controller and approval by the Board of Commissioners.

The County Administrator/Controller shall provide the Finance Committee of the full Board, at the end of each fiscal quarter, an economic and fiscal update report of year to date revenues and expenditures compared to the budgeted amounts in the various funds of the County. Whenever it appears to the Kent County Administrator/Controller or the Kent County Board that the actual and probable revenues in any fund will be less than the estimated revenues upon which appropriations from such fund were based, or when it appears that expenditures will exceed an appropriation, the County Administrator/Controller shall present to the County Board recommendations to prevent expenditures from exceeding available revenues and reserves or appropriations for the budget year. Such recommendations may include proposals for reducing appropriations, increasing revenues or a combination of the two.



## Summary of Budget Policies

As revised and adopted by the Board of Commissioners  
January 2, 2007

### Accounting and Auditing

- Kent County will establish and maintain an accounting and fiscal reporting system that conforms with generally accepted accounting principles and standards, and annually file an audit in accordance with Public Act 2 of 1968. The County will maintain systems to monitor expenditures, revenues and financial performance.
- The Fiscal Services Department will ensure that an annual audit of all County funds is conducted by a certified public accounting firm and submitted to the Michigan Department of Treasury within 180 days of the year end. The annual audit, including the management letter, shall be submitted to the Finance and Physical Resources Committee within one month of its completion.
- The County will undertake a full-scale competitive process for the selection of an independent auditor at least every five years. The process should actively seek the participation of qualified firms with a local presence, including the current auditors, assuming that the past performance of the current auditors has proven satisfactory. Fiscal Services staff shall recommend to the Finance and Physical Resources Committee a proposed audit firm based on staff's evaluation of the auditor's ability to perform a quality audit. Price should not serve as the sole criterion for the selection of an independent auditor.

### Annual Budget

- The Office of the County Administrator/Controller will annually provide to the Finance and Physical Resources Committee a financial plan and budget document, containing an estimate of revenues and expenditures or expenses (operating and Capital Improvement Program), a summary position control list, and performance measurements. Budgeted expenditures will not exceed budgeted revenues and/or available fund balance.
- The annual budget process will consist of activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital assets. The final document shall include certain elements to reflect that process:
  - **Revenues and Expenditures/Expenses:** Estimates of revenues and expenditures adopted by the Board of Commissioners should be realistic, and based on facts and trends in evidence.
  - **Performance Budgeting:** In order to contribute to continuous improvement in accountability, efficiency and effectiveness of County operations, and to assist in identifying problems before they become unmanageable or too costly to control, the annual budget shall include the mission, goals and objectives of each department, division or agency, along with prioritized programs designed to achieve those goals and performance indicators to measure their efficiency or effectiveness, as appropriate.
  - **Position Control Summary:** The annual budget shall include a listing of all County positions, including classification and pay scales, by department, agency and/or division. The Legislative and Human Resources Committee shall review the listing and make recommendations regarding the list to the Finance and Physical Resources Committee, which shall approve the list for inclusion in the recommended budget. Requests by departments and agencies of the County for additional personnel will only be considered as part of the budget submission and review process.
  - **Capital Improvement Program Budget:** The annual budget shall include a Capital Improvement Program (CIP) Budget. The County Administrator/Controller shall provide a listing and make recommendations to the Finance and Physical Resources Committee, which shall review and recommend the list for inclusion in the recommended budget submitted to the Board of Commissioners for adoption. Only projects for the current year are appropriated funds in the CIP budget. Phased or multi-year projects must be reviewed annually for additional funding to be appropriated.
- Interfund budget transfers or transfers resulting in an increase in total departmental budgeted expenditures shall be reviewed and recommended by the Finance and Physical Resources Committee and approved by the Board of Commissioners before a commitment to expend the funds is made.

- Any additional revenue which requires increased appropriation must be approved by the Board of Commissioners prior to obligating any of these funds.

### Capital Improvement Program

- The Board of Commissioners requires all County capital improvements/replacement projects to be evaluated for funding within a framework of priorities and the financial capabilities of the County, and as part of a comprehensive budget process.
- The County will establish and maintain a Capital Improvement Fund to account for the acquisition or construction of major capital items not otherwise provided for in enterprise or trust and agency funds. The County will annually deposit, to this fund, a not-less-than sum of monies equivalent to the revenues to be generated from .2 mills of the general property tax levy.
- Each department, office and agency of the County will annually submit a proposed list of its capital improvement needs for the next five fiscal years to the County Administrator/Controller's Office, according to a format and schedule developed by the County Administrator/Controller. Items submitted for consideration will be evaluated by a Capital Improvement Review Team which shall include, at a minimum, representatives of the Administrator's Office, Fiscal Services, Purchasing, Information Technology and Facilities Management.
  - **Evaluation:** Items submitted for consideration will be rated according to established criteria. Items rated by the Review Team will be included in the proposed capital budget submitted to the Finance and Physical Resources Committee.
  - **Annual Programming:** It is recognized that the County has limited resources and only a certain number of projects can be funded in any given year. Those projects that are not funded for a fiscal year, as determined by the Board of Commissioners, may be resubmitted for consideration in future years' CIP process.
  - **Purchasing Procedures:** Projects included in the CIP must be acquired through the Purchasing Division and follow established County Purchasing Procedures.

### Debt

- Kent County shall endeavor to maintain the highest possible credit ratings so borrowing costs are minimized and access to credit is preserved. Kent County shall demonstrate to rating agencies, investment bankers, creditors, and taxpayers that a prescribed financial plan is being followed. The Fiscal Services Department will annually prepare an overview of the County's General Fund financial condition for distribution to rating agencies and other interested parties.
- Short-term borrowing to finance operating needs will not be used. Interim financing in anticipation of a definite, fixed source of revenue, such as property taxes; an authorized but unsold bond issue; or an awarded grant, is acceptable. Such tax, bond, or grant application note must mature within three years and may not be rolled over for a period greater than one year. The County shall not incur any indebtedness which shall increase its total debt beyond 10 percent of its assessed value.
- The County Administrator/Controller shall evaluate each proposed financing package and its impact on the County's credit worthiness, and report the evaluation to the Finance and Physical Resources Committee.
- As part of the review process, the Finance and Physical Resources Committee shall review all aspects of the project and recommend to the Board of Commissioners the most appropriate structure of the debt. Options available include notes, installment contracts, industrial development bonds, general obligation bonds, limited tax general obligation bonds, and revenue bonds.

### Fees and Charges

- The County will assess fees and charges as allowed by federal or state law to provide prescribed levels of County services as determined by the Board of Commissioners or by federal or state mandates accepted by the Board.

### **Fund Balance/Fund Equity (Revised 12/11/08)**

- The Board of Commissioners, by adoption of an annual budget, shall maintain adequate General Fund equity (reserves and designations) to provide for contingencies, for contingent liabilities not covered by the County's insurance programs, and to provide reasonable coverage for long-term Limited Tax General Obligation debt service. The County will annually designate a portion of Fund Balance, equal to 10% of the subsequent year's General Fund and subsidized governmental fund budgets, for emergency operating purposes. The County will designate a portion of unreserved balance equal to the operating deficit, if any, included in the subsequent year's adopted budget. The County will designate, from unreserved fund balance, an amount equal to 40% of the subsequent year's budget estimate for property tax revenue, to protect against cash flow shortfalls in anticipation of a July 1 (Mid Year) property tax billing.

### **Grants, Contracts, and Donations**

- When outside funding is to be solicited by means of responding to a request for proposal or other application process, the Board of Commissioners must approve the request prior to its submission. If application deadlines prohibit the request from being processed through the Board's committee structure prior to submission, the County Administrator/Controller may authorize the application be submitted to the funding source and forwarded to the appropriate standing committee of the Board, at the next available meeting.
- Departments and agencies should charge all eligible costs of a program as may be reasonably identified to the outside source. If there are circumstances that warrant the continuation of a program funded by a grant, or other outside funding source, consideration may be given to allocating general fund dollars. Requesting agencies and departments must prepare and provide a cost benefit analysis which shall include an analysis of programmatic necessity and an analysis of alternative funding sources, which may be presented to the appropriate standing committee(s) with a recommendation by the County Administrator/Controller.

### **Investments (Revised 3/27/08)**

- Kent County will invest funds in a manner which will ensure the preservation of capital while providing the highest investment return with maximum security, meeting the daily cash flow demands of the County and conforming to all state statutes governing the investment of public funds.
- The County Treasurer is authorized to invest in all types of securities authorized by PA 20 of 1943 [MCLA 129.91], as amended, requiring the County to have a written investment policy which, at a minimum, includes the purpose, scope and objectives of the policy, including safety, diversification and return on investment; a delegation of authority to make investments; a list of authorized investment instruments; and statements addressing safekeeping, custody and prudence. The primary objectives, in priority order, of the County Treasurer's investment activities shall be:
  - **Safety:** Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.
    - **Credit Risk:** The County will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.
    - **Interest Rate Risk:** The County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and investing operating funds primarily in shorter-term investments limiting the average maturity of the portfolio.
  - **Liquidity:** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.
  - **Yield:** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints

and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

- The County Treasurer shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.
- The “prudent person” standard states that, “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”
- The Treasurer shall prepare quarterly investment reports, including a certification regarding compliance with all applicable laws and policies. These reports shall be filed with the Board of Commissioners not later than sixty days following the end of each calendar quarter.

## The Basis for Budgeting

The County’s budget is a plan representing the Board of Commissioners’ commitment to provide services to its residents in a cost-effective and efficient manner. The budget is prepared according to the Uniform Budgeting Act, Michigan Public Act 2 of 1968 and is consistent with the Budgeting Best Practices as identified by the Government Finance Officers Association. The basis for the County’s accounting and budget is modified accrual. Modified accrual is the basis of accounting under which revenues are recognized in the period they become available and measurable, and expenditures are recognized at the time a liability is incurred pursuant to appropriation authority.

Budgetary control is maintained at the activity (department) level. Control is further enhanced through an on-line integrated accounting/budgeting system that assures fiscal accountability through the establishment of more detailed line-item budgets. Outstanding encumbrances as of December 31 are reported as reservations of fund balance at that date.

The Road Commission and Fiduciary Funds are not provided for in this document and the County does not maintain budgetary control for these funds. However, financial information regarding these funds is available in the County’s CAFR.

### Uniform Budgeting Act

The following is a summary of requirements necessary to be in compliance with the Uniform Budgeting Act, Michigan Public Act 621 of 1978.

1. All General, Special Revenue, and Debt Service Funds are required to be budgeted annually.
2. A public hearing must be held on the budget prior to adoption.
3. The budget must be balanced.
4. The budget must be amended when necessary.
5. Debt entered into must be permitted by law.
6. Expenditures must be equal to or less than the amount appropriated.
7. All expenditures must be authorized in the budget.

## The Measurement Focus and Basis of Accounting

Government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and

expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide and enterprise fund financial statements follow applicable accounting and financial reporting standards of the Financial Accounting Standards Board (FASB) issued through November 20, 1989, unless those pronouncements conflict with Governmental Accounting Standards Board pronouncements. The County has elected not to apply FASB pronouncements issued after November 30, 1989.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the County considers revenues to be available if they are collected within 90 days of the end of the current fiscal period except taxes, which must be collected within 60 days. Taxes, intergovernmental revenues and interest associated with the current period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.