

PART VI
FINANCE, BUDGETING, AND DEBT

CHAPTER 21: BUDGETING

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1. Budgeting

[Minn. Stat. § 275.065](#) (truth-in-taxation law).

[Minn. Stat. § 375.169](#)

Although budgeting is the first and most essential ingredient of any efficient system of administration, it has sometimes been a neglected, poorly implemented, and ignored fundamental of county government. All counties are required to prepare a proposed annual budget and submit it to the county auditor. Counties are also required to hold a property tax hearing, and give notice of the proposed budget adoption.

A budget is a comprehensive financial plan for a specific period of time. It outlines county activities and service levels, and contains estimates of probable costs and available revenues during the coming year.

This chapter discusses some of the fundamentals of budgeting.

Review of revenue sources

Role and purpose of budgeting

I. Review of revenue sources

See Handbook, ch. 20, *Sources of Revenue*.

Before preparing the annual budget, the board should inspect total revenue. First, the board should determine if the county is making the best use of its taxing powers. This includes deciding whether the tax rate is adequate to meet the revenue needs of the county. A second advisable feature is a review of available intergovernmental grants and aids. Counties should seek to use these types of aids if this assistance is available. Finally, the board must give a regular, thorough study to the adequacy of other sources of revenue. In particular, this review should attempt to answer three questions:

- Are license fees and charges for services adequate to cover the county's costs and expenses for such programs?
- Should the county establish fees for other service programs that are currently provided free of charge? When the county initiates a new program, such as a recreation program, the board should decide whether or not to charge users. It is always easier to begin charges when the county first provides the service, than it is to initiate fees at a later date.

- Are the board and any other commissions or boards properly managing the county's fund balances? A regular review is the only way to ensure maximum and equitable use of present revenue sources.

The revenue side of the county financial statement is the chief concern of county boards. As governmental costs continue to increase, and as further demands for public services lead to new governmental programs, the strains on counties' pocketbooks have increased. The traditional way to meet this challenge has been to strive for greater efficiency in the present programs.

II. Role and purpose of budgeting

Budgeting is critical for county finance and administration. Proper budgeting can assist the board in the performance of five vital functions:

- It is a vehicle through which the board can obtain estimates of the expected revenues for the coming year and plan county spending.
- Once the board has allocated available money among the various county services, the budget can help control expenditures.
- Because budget preparation involves necessary decisions about the use of money, it facilitates important decision-making.
- At the conclusion of the budget year, the budget document can help the board evaluate the level and quality of county services provided during the year.
- By measuring the level and quality of services citizens received for each dollar spent, the board can measure the efficiency of providing each service. In this way, a budget serves as a check on administrative operations.

III. The budget process

The basic steps involved in budgeting are: preparation; consideration, final adoption; and implementation of expenditure controls. Preparation consists of developing estimates of the necessary expenditures for the coming year, for each activity, as well as developing the revenues available to pay for them. Consideration and final adoption of the budget constitutes the second stage of the process. Finally, the process ends as the expenditure controls established in the budget are implemented.

A. Budget responsibility

[Minn. Stat. §§ 375A.02; 375A.03; 375A.06;](#)

Ultimately, budgeting responsibility resides with the board. The board must accept or reject the budget, and insist upon standards of budget enforcement. In counties under many plans—including the Elected Executive, County Manager, and County Administrator plans—the administrator has the responsibility of proposing a budget, but the board is ultimately responsible for passing a budget ordinance. In addition, execution or enforcement of the budget is usually delegated to the administrator.

B. Budget format

Two aspects of the budget format need consideration: the actual forms county officials use in preparing the budget, and the classification of accounts or account titles for summarizing data.

1. Summary budget statement

[Minn. Stat. § 375.169](#)

According to state law, the county board must publish a summary budget statement in the official newspaper of the county. The statement must contain information relating to anticipated revenues and expenditures in a form prescribed by the state auditor.

See [County Budget Statement Publication](#) on the State Auditor's website.

The state auditor has established a template for county summary budget statements. Though this template only applies to a summary of the budget, it may also be helpful for thinking about the general layout and forms used for the full budget.

2. County Financial & Accounting Reporting Standards (COFARS)

See the [COFARS manual](#) on the State Auditor's website.

(NOTE: This is a large file and may take a while to load. Individual sections can be downloaded from the [COFARS web page](#).)

See [Uniform Chart of Accounts](#), COFARS Manual sec. 5000.

Standard procedures for budgeting have been established by the state auditor for counties. These standards, known as COFARS, include general and specific procedures for accounting, reporting, and classifying accounts, services, and programs. The primary objective of developing standard procedures and classifying accounts is to provide a means for accumulating financial information which will be uniform for all counties.

Included in the COFARS is a uniform chart of accounts that may be used for budgeting. The uniform chart of accounts provides coding schemes for each dimension used in county budgeting, such as liabilities, fund balances/net assets, revenues, and expenditures. The chart of accounts also relates the dimensions to each other in a logical, hierarchical sequence. Every county should consult this chart of accounts for maintaining financial records and for preparing the annual budget.

C. Budgeting techniques

This discussion was taken in part from *Management Policies in Local Government Finance*, 3rd edition (ICMA), pp. 153-156.

Generally, the purpose of any budget is to serve as a policy document that sets goals and tracks performance. This policy helps the board, administrator, and other decision-makers make choices about allocating resources among competing needs. Decision-makers must find the budgeting techniques that work best for their county.

Local governments face peculiar problems:

- A county nearly always has limited resources in comparison to citizen demands.
- County officials must decide which programs and what levels of service to offer.
- Because of the complexity of even small local governments, it is often difficult for an administrator to allocate resources efficiently.

While counties cannot eliminate these problems, they can diminish their impact through sound budgeting. A budget system should outline priorities, conduct program evaluations, allow for management implementation and reporting, and provide sound financial resource planning and management.

There are many types of budgeting techniques. Some of these are: line item, performance, zero based budgeting (ZBB), and program performance budgeting (PPB). An analysis of each functional area for each budget type indicates the advantages and disadvantages of each system.

Generally, there are seven functional areas to consider:

- Structure of the budget, or how it appears on paper.
- Effectiveness of the budget for planning. To be effective, the budget must establish goals for future direction.
- Evaluation—the budget must critically examine the past.
- The budget must set forth the available resources.
- An effective budget should establish program priorities.
- Finally, the tool should aid management by helping monitor and evaluate performance.

1. Line item budgeting

For a brief discussion of different types of budgets, see AMC brief [“County Budget Overview.”](#)

The line item budget is the most traditional type of budgeting. This approach divides the county into departments and divisions. Each department prepares its own line item budget. The budget lays out a one-year financial plan, detailing each individual expense category (e.g. salaries and wages, contract services, supplies and equipment).

This type of budget allows evaluation on the basis of expenditure trends. The board can compare last year’s expenditures with the current year’s projected expenses. Resources to fund a line item budget are usually supplied from the general fund. Typically, capital expenditures and major improvements are separate.

Perhaps the strongest feature of a line item budget is its high degree of control. The document details each line item expense. Management can monitor a line item budget by examining the financial reports. The degree of complexity of a line item budget varies according to a county’s size and needs.

2. Performance budgeting

Performance budgeting is an outgrowth of the line item budget. Its purpose is to help decision-makers analyze service production. A program budget, like a line item budget, has a structure consisting of departments and divisions. The performance budget includes a plan that defines the amount of service that can be produced for a given amount of resources.

Evaluating a performance budget requires examining the amount of output produced at a defined workload based on some unit of production. To control the overall plan, this technique examines general expense categories and not individual line items. This tool helps set priorities and allows decision-making based on a more results-oriented approach. The performance budget is a useful managerial tool because it helps monitor workloads and can compare actual results against the plan.

Performance budgeting assists in managerial decision-making. Its biggest shortcoming is that it only emphasizes output. Performance budgeting will show how much a department produced, but it will not show how well or poorly the department delivered the service.

3. Zero based budgeting

The theory behind zero-based budgeting (ZBB) is to force each department to start from zero and justify its service. The structure of ZBB consists of decision units, which are not complete programs but pieces of programs. The ZBB method allows planning for incremental objectives starting from zero, but local governments generally start at 80 percent below current funding because it is impossible to cut services altogether. Evaluation is on the basis of decision packages that define the resources needed to accomplish a given level of service. As with the other methods, it identifies only the general fund as a resource.

Control through ZBB is similar to control in performance budgeting. The method identifies expense objectives, rather than just bottom line figures. The county establishes priorities through incremental rankings, forcing managers to rank priorities by stacking up decision packages to determine need. This approach can create situations where decision-makers must choose between service levels that are difficult to compare. For example, how can the need for a new park shelter be evaluated against the need for an additional deputy sheriff? ZBB can be useful because of the forced annual rankings. Board members examine these rankings and finance the most important county services.

The use of ZBB has several advantages:

- First, ZBB encourages organizational assessment by forcing department heads to critically assess their departments.
- Second, it allows for departmental involvement and, thus, more satisfied workers.
- Third, ZBB forces decision-makers to come up with alternative implementation techniques and establish objectives.

However, there are some disadvantages to ZBB:

- First, when using ZBB, the starting point is not zero, but probably about 80 percent below current funding due to statutory and contractual obligations.
- Second, ZBB increases paperwork and administrative workloads because of its many decision packages.
- Third, there is a possibility of misuse because each department manager decides exactly what goes into each decision package.
- Fourth, annual reassessment of service rankings may be too frequent. In some situations, review is necessary only every three to five years.
- Ranking of priorities is impractical in some cases.

4. Program performance budgeting

Another budgeting technique consists of a mix of the favorable parts of other budgeting techniques. A program performance budget (PPB) has a structure that shows programs and departments. Typically, there is a broad service area, and a general and specific program description. This planning technique lists specific service targets that are well-defined goals for the county to accomplish. Evaluation is complete and provides information about the need for the service, the county's response, the cost, and the impact of each service or program.

The PPB method differs from other budgeting methods in that it examines total resources, and not just the general fund. Control is strengthened because there is a summary of each program, along with a line item chart of accounts. The strongest factor is the PPB's ability to assist in setting priorities. The technique promotes rational choices by comparing a service-cost balance. The PPB is a useful managerial tool because it provides regular performance reports, as well as detailed financial reports.

Program performance budgeting pleases the public and county officials because it provides an understandable document, and the service-cost balance shows the importance and cost of different services.

The intent of a PPB is to provide an analysis of demand, workload, productivity, and effectiveness.

- Demand (need) can be measured by factors such as applications and requests for a service, complaints received, population changes, and external deficient conditions.
- Workload (response) is indicated by production of units, construction, maintenance, processing, people served, and time spent.
- Productivity (cost) is measured by efficiency per unit. Ratios that PPB uses include dollars/units, units/dollars, time/units, or units/time.
- Effectiveness (outcome) is measured by qualitative factors, responsiveness, customer satisfaction, problem reduction, and achievement of objectives.

D. Estimating revenues

See Handbook, ch. 20, for discussion of sources of revenues.

The first step to estimating revenues is to identify and isolate the revenue sources. The county should then look at each source and its past performance and future expectations, taking into account any trends or institutional changes that might disrupt the pattern.

After estimating all other revenues and assessments, the county must determine the amount of money needed from property taxes. This sum should be an amount sufficient to balance the budget. The tax levy may not exceed any tax levy limitations for various funds.

E. Estimating expenditures

Counties must estimate several kinds of expenditures such as current expenses, capital outlay expenditures, and debt redemption. Certain current expenses, sometimes called operating expenditures, consist of relatively fixed charges and are comparatively easy to estimate. These are items such as rent, interest expense, salaries, contractual costs, and other charges the county establishes by agreement that cannot be reduced during the budget year.

Budgetary estimates of these costs can be on the basis of past experience, plus necessary increases based on inflation. It is generally only these increases, and not the basic costs themselves, that the budget officer or the board can alter. The only manner in which the county can change such costs is to discontinue the program, reduce the program's quality, or look for opportunity to provide the service cooperatively with another unit of government.

Other current expenses, sometimes called supplemental expenditures, are those related to new policy and administrative proposals, such as the costs of expanding an existing work program or starting a new service. Supplemental expenditures entail important policy questions because they require the board's close scrutiny and careful consideration. Boards should ask for public opinion on such proposals during the development of the budget and at the Truth-in-Taxation public hearing.

The distinction between basic and supplemental expenditures has a twofold importance in the budget process. It stresses that each county has a large burden of fixed costs that the board can manipulate to only a minor extent, and which cannot be substantially reduced without curtailing existing services. Also, it places special emphasis on the policy matters in the budget, and helps to relate the costs of government with the quality of government services.

F. Budget checklist for boards

After the preliminary budget has been prepared, the board must assume full responsibility for reviewing and approving it in its final form. In this review, the board should consider several questions:

- Does the budget meet the needs of the community? Are there some services the county should reduce or eliminate to provide funds for new programs, for the expansion of existing programs, or in order to reduce the property tax levy?
- Does the budget provide proper balance between activities, especially between more essential and less essential services?
- Will the level of service funded in the budget ensure adequate standards of service?
- Is the proposed budget sound and honest? Is the estimate of revenues realistic? Does it include all expenditures and conceivable contingencies? Does it contain a contingency appropriation for emergencies?
- Is the budget economical, providing the greatest value per dollar?
- Does the budget discharge a county's responsibility for the future? Is it consistent with long-term policies for the development of the community?

G. Budget execution

The controls needed for an adequate system of budget execution depend on the size of the county and its form of government. Larger counties should use the system of allotments and encumbrance accounting, in which the money budgeted for any specific purpose is allocated to that purpose. Additionally, counties may wish to consider adopting a legal level of budgetary control based on categories of expenditures. This prevents exhaustion of the appropriation before the end of the calendar year, and places limits on the amount of expenditures that can be made by a department without seeking additional approval.

There are two minimum controls every county should exercise, regardless of size. While responsibility for these controls belongs to the board, either an administrative officer responsible to the board or a board committee may implement the controls in actual practice.

The first of these controls is a requirement that no expenditure should occur until a designated person has checked to see whether or not adequate funds are available. In other words, no expenditure occurs unless the board authorized the expenditure in the original or a subsequent budget resolution. Once a county adopts a budget, only the board should authorize any deviations.

The second essential control is a budget reporting system. The board should require a monthly or quarterly report that details each budget item, the amount budgeted, the amount already spent, the amount not yet spent but committed for a particular budget item, and the budget amount that remains unspent and uncommitted. With this information, the board can scrutinize administrative operations, exercise greater control over future spending, and make any needed adjustments in the budget.

A reporting system is the most important facet of any expenditure control program. Budget reports should include a summary of work accomplishments under the budgetary appropriation to-date. Only with this information in hand, can the board maintain an adequate check over the enforcement of the budget and the administrative activities of its subordinates.

IV. Long-term budget planning

While counties only prepare their budgets for the next 12 months, boards must be aware of the long-range financial problems and demands facing the county.

H. Long-term financial plan

In addition to the annual budget, a long-term financial plan includes the following:

Public services program—a long-range plan for all public services, estimating future needs for recreation, police protection, and so on. The plan measures the objectives and needs for each county department, the standard of services, and the impact of such services on the annual operating budget.

Capital improvement program—a major public infrastructure and planning tool includes a comprehensive list of projects and facilities the county needs or will need to carry out public services, including, but not limited to, transportation, water, storm water, and wastewater needs.

Long-term revenue program—a tentative revenue policy that develops long-term plans for financing public services and capital improvements.

Capital budget—this summarizes, on a five-year period, the capital or money requirements for capital improvements or purchases. A capital budget lists a priority for each anticipated investment in community facilities, and balances this with the availability of revenues.

B. Capital improvement budgeting

When counties prepare their budgets for the upcoming fiscal year, board must be aware of the long-range financial problems and demands facing the county. In addition to the annual budget, a county would be well served to prepare a long-term financial plan that includes a capital improvement program.

Capital budgeting is a list of needed capital improvements (i.e. county road infrastructure, public buildings, equipment or land purchases), their order of priority, and the means of financing. The capital budget summarizes, usually for a five-year period, the capital or money requirements for capital improvements or purchases. A capital budget allows a county to build up a fund balance for capital improvement projects. Priorities in the capital budget program remain tentative and the board should review them annually.

A capital improvement plan often provides many advantages, including:

- reducing or stabilizing the property tax rate;
- preventing peaks and valleys in a county's debt retirement program;
- allowing the county to move gradually to a pay-as-you-go program of capital expenditure financing; and
- Helping to preserve the county credit rating by preventing an over-extension of credit and maintaining a credit reserve for emergencies at all times.

Minn. Stat. §§ 375A.02; 375A.03;
375A.06.

Capital budgeting is usually the responsibility of the county executive, manager, or administrator. Aiding this person should be the board, a committee of the board, the planning commission (if one has been appointed), and the county finance officer or auditor/treasurer.

Capital budgeting usually involves the following procedures:

- The administrator makes up a priority list of anticipated capital improvements that the county will need within the next five to ten years.
- A careful evaluation follows with the elimination of those capital improvements that overlap or duplicate.
- The end result is a priority list of capital improvements on the basis of need, considering the community's present and future program of public services.
- The county then puts these improvement projects into a multiple-year capital improvement program on the basis of the established priority. When the board reviews it in light of the community's financial situation, it may find the county should defer some of the projects beyond the improvement period and other projects indefinitely.
- Following this, the budget officer recommends projects for the coming budget year. The recommendations, in effect, become the recommended program.

Priorities in the capital budget program for the following years remain tentative, and the board should review them annually. At that time, the board should consider the addition of new projects and the deletion of others.

C. Budgeting for OPEB

Other chapters of this handbook have explained counties' duties and responsibilities with regard to pensions. Many county employees also receive additional benefits in retirement, known as "other postemployment benefits (OPEB)." Typical forms of OPEB include health insurance, life insurance, and legal services.

1. Structure and Reporting of OPEB

When establishing pensions, most local governments invest money during the course of an employee's tenure that is expected to be sufficient to meet the government's pension obligations. However, to pay for OPEB, most governments tend to use a "pay-as-you-go" strategy, simply paying for each year's benefits as they are due. Thus, financial statements do not represent the full cost of OPEB obligations for current employees; they only list the expense of benefits being paid out to retirees. As the ranks of retirees and the cost of benefits increase, this strategy is increasingly untenable.

Determining how much should be set aside to fully fund OPEB requires actuarial methods. Basically, the future outlays must be projected using economic and demographic assumptions; the required current contributions are estimated by discounting the future value to the *actuarial present value*. Some of the assumptions that are important in this method include:

- how many employees a government is expected to have that will receive benefits;
- how long employees are expected to work for the government;
- how long employees are expected to live after retiring (and, hence, how many years they will receive benefits);
- how much healthcare costs are expected to increase; and
- how large a return a government is expected to receive on its investments.

In a 2006 survey, the State Auditor determined that 45 of Minnesota's 87 counties offer OPEB. Of those 45 counties, 39 reported OPEB liabilities. Overall, counties represented 28.3 percent of the total OPEB obligation in Minnesota. However, the level of the benefits provided, as compared to the counties' total revenues, varied greatly. The majority of counties (62%) reported liabilities under 10 percent of their total revenues, and the vast majority (87%) reported liability under 50 percent of their total revenues. For 13 percent of counties with OPEB liabilities, those liabilities exceeded 50 percent of total revenues.

Governmental Accounting Standards Board, [Other Postemployment Benefits: A Plain-Language Summary of GASB Statements No. 43 and No. 45](#)

See National Association of Counties (NACo), [OPEB – The Looming Financial Crisis](#)

Governmental Accounting Standards Board, [Other Postemployment Benefits: A Plain-Language Summary of GASB Statements No. 43 and No. 45](#)

MN State Auditor, [Other Postemployment Benefit Liability of Local Governments in Minnesota](#)

The Auditor's report suggests a number of ways to reduce OPEB liabilities. The three basic strategies are reducing costs, increasing revenues, and setting as much money aside in advance as possible. For more detail, see [Other Postemployment Benefit Liability of Local Governments in Minnesota](#).

2. GASB 45

[GASB, Other Postemployment Benefits: A Plain-Language Summary of GASB Statements No. 43 and No. 45](#)

The Government Accounting Standards Board (GASB) released its Statement 45 (GASB 45) in 2004. GASB 45 requires government employers to calculate the long-term costs of their OPEB commitments in their financial statements. The main goal of GASB 45 is to require counties and other local governments to fully account for their *unfunded actuarial accrued liabilities*—that is, the difference between the long-term costs of OPEB and the amount the county is currently contributing annually.

[GASB, GASB Statement 45 on Opeb Accounting by Governments: a Few Basic Questions and Answers](#)

Statement 45 does not require local governments to prefund OPEBs, but the new accounting methods should make the financial burdens of OPEB more visible, and thus may lead to changes in funding structures.

One of the more difficult concepts in Statement 45 is its treatment of *implicit rate subsidies*. These subsidies are considered to be present when retired employees are included in existing employees' health coverage. This is considered a subsidy because retirees' health costs tend to be larger than those of active employees, but those costs are spread amongst both current and past workers through premiums. When implicit rate subsidies exist, they must be reported as OPEB liabilities.

Compliance with GASB 45 is being phased in, based on the size of counties' revenue streams.

Revenues	Compliance Date
\$100 million or more	Fiscal years beginning after Dec. 15 2006
\$10 to \$100 million	Fiscal years beginning after Dec. 15 2007
Less than \$10 million	Fiscal years beginning after Dec. 15 2008

MN State Auditor, [Alternative Approach to OPEB Liability Calculation for Implicit Rate Subsidy](#)

Compliance with GASB 45 will represent a significant cost to many local governments. To compute OPEB liabilities, counties will need to contract with an actuary. The State Auditor has determined that, in some situations, it may be possible for local governments to avoid the costs of an actuary. However, this is only possible if two conditions are met:

1. The county's only OPEB liabilities are implicit rate subsidies;
AND
2. There is low retiree participation in the employee health plan.

For counties that meet both of these conditions, more information can be found in the Auditor's statement of position, [Alternative Approach to OPEB Liability Calculation for Implicit Rate Subsidy](#).

NACo, [GASB changes rules on post-employment benefits](#)

In addition to the cost of hiring an actuary, bond rating agencies may take the mismatch between liabilities and assets into consideration when determining counties' bond ratings. However, it has not yet become clear what sort of impact, if any, GASB 45 and OPEB will have on county bond ratings.

See NACo, [The Implementation of GASB 45](#)

For counties concerned about implementing GASB 45, NACo has several resources available. They have released a handbook for the implementation of GASB 45, including case studies of counties that have already made the transition.

Also, NACo's Post-Employment Health Plan (PHEP) program has been developed to provide a solution for funding retiree health care. The PEHP allows counties to set aside tax-free funds in an account for each employee. The county provides a defined contribution to the trust and the employees manage their own funds and have the ability to use the funds in the trust for any IRS-allowable medical expense tax-free once they have left employment with the county. For information about this program, contact the NACo Financial Services Center at 202/942-4282.

D. Signs of financial stress

Financial analysts do not agree on how to predict future county financial problems. Certain indicators are useful in measuring any county's financial stress position. Periodic evaluations should allow the board to take steps to head off any developing financial emergency. The most effective financial indicators include long-term debt, short-term debt, total interest payments, and tax per capita.

1. Long-term debt

The amount of long-term debt varies greatly depending on the kind of community, its maturity, and the extent to which it has undertaken a consistent, long-term capital improvement program. However, counties may find it useful to compare their long-term outstanding debt with other communities of similar size and demographic traits.

2. Short-term debt

Minn. Stat. § 373.01

The dollar amount of short-term debt outstanding is usually less significant than the year-to-year trend of that debt. Counties must, by law, pay off each issue of tax or revenue anticipation debt by the end of their fiscal year. Such tax anticipation certificates or warrants, which the county retires by taxes and does not refinance by another short-term issue, present no real cause for alarm. However, if a county makes extensive purchases on open accounts, uses temporary improvement financing extensively, or uses any other obligations that force it to go into the money market at a particular time, consequences can be severe. When the only possible means of paying off such debt is to go into the money market, default is inevitable if the market rate is above the permissible statutory rate or, in the bond raters' and buyers' judgment, the county's financial position is so shaky as to make its bonds a bad investment.

3. Total interest payments

See Handbook, ch. 24

This index will not completely be a function of the outstanding debt. The mix of long- and short-term obligations, the timing of the various offerings, and the bond raters' and buyers' perceptions of the soundness of the community all influence this indicator.

4. Tax per capita

If the local tax rate in a county is high in comparison to other counties, and particularly in those counties in the same region, any increase will likely result in a loss of tax base, resulting in a decrease in tax revenue. This can have a negative long-term effect on the ability of a county to maintain financial stability and current service levels. In such circumstances, there is little opportunity to meet local increased revenue demands.

E. Use of financial indicators

Counties should use these indicators (long-term debt, short-term debt, total interest payments, and tax per capita) for comparing one community with other communities of similar size and maturity. For example, a suburb that has sprung from largely undeveloped land in the last 20 years should not compare itself to an old, free-standing community with a stable population.

Comparisons should provide a good basis for evaluating the local financial health of a county. A high standing in any one of the five areas should not be particularly alarming if the other areas are low. However, even a single, high-standing index may provide reason to look carefully at that area, in order to see if changes might improve the county's prospects for economic stability.

See [OSA web site \(OSA Reports: Listing of Government Information Reports\)](#) .

Statistical information for the purpose of making these comparisons is available in reports of the state auditor on revenues, expenditures, and debt of Minnesota counties.

F. Better budgeting guidelines

The following six-steps are guidelines toward better budgeting. In processing their annual budgets, counties should:

- Coordinate budgeting and accounting procedures.
- Devise good working papers for the preparation and execution of the budget.
- Prepare a budget calendar.
- Create an annual budget that considers all county operations from a long-range approach rather than a piecemeal, short-range approach.
- Extend the budget-making process to include citizens.
- Establish effective methods to control expenditures in accordance with the budget plan.

Budgeting, both as a long-term financial guide and as a short-term, annual plan of operation is an indispensable part of county administration.

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STATUTES

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