



Dollars and Sense:

*How **the City of Grant** spends your money*

2011 Citizen's Guide to
City of Grant Financial Health

Presented by
Doug La Fave, City Manager

KEY TERMS

There are a few key terms that may be helpful when reading this report. They include:

- **Budget deficit/surplus.** If there is less money received than paid out in a given fiscal year, there is a budget **deficit** or shortfall. If there is more money received than paid during the fiscal year, a budget **surplus** exists.
- **Debt.** Just like a homeowner takes out a mortgage, governments can borrow money to pay for certain types of projects. The state has both short-term debt (paid back within the fiscal year) and long-term debt. Debt can be either **general obligation** debt, meaning that the state pays back the debt with regular tax collections and other revenues, or **special revenue** debt, which is paid off over time with revenue from specified sources beyond the usual taxes and service fees.
- **Fiscal year (FY).** The 12-month period of time during which budgets are allocated or finances are planned. Most households have a fiscal year that runs from January 1 to December 31 (that's the period for which we pay personal income taxes in April), while state government uses an October 1 - September 30 fiscal year. Some local units of government, including public schools, use a July 1 - June 30 fiscal year, while others operate on a typical calendar year.
- **Fund balance.** Once all the bills for the year have been paid out of a certain fund, whatever is left over is called the fund balance. When a fund balance is less than zero, you'll see the number shown with parentheses around it. Deficits cause fund balances to decrease, while surpluses cause them to increase.
- **Public budget gap.** A novel measure, similar to the deficit, used to measure the extent to which a government is falling short of covering its current and long-term obligations in a fiscal period. The budget gap takes into account the budget deficit, as well as any new obligations that the government has failed to cover such as **employee pensions or retiree health care**.
- **Reserved/Restricted funds.** Some funds are considered to be "reserved" or "restricted" for a specific purpose, and cannot be spent for anything else.

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Welcome

Greetings,

The City of Grant is a full service community located in beautiful southern Newaygo County on M-37. The City has a population of 894 residents (2010 Census) and serves as a commercial hub for the surrounding rural community.

The purpose of this guide is to show taxpayers what services the City provides and how we tax dollars are spent to create an open atmosphere of transparency.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. J. Miller" followed by a stylized flourish.

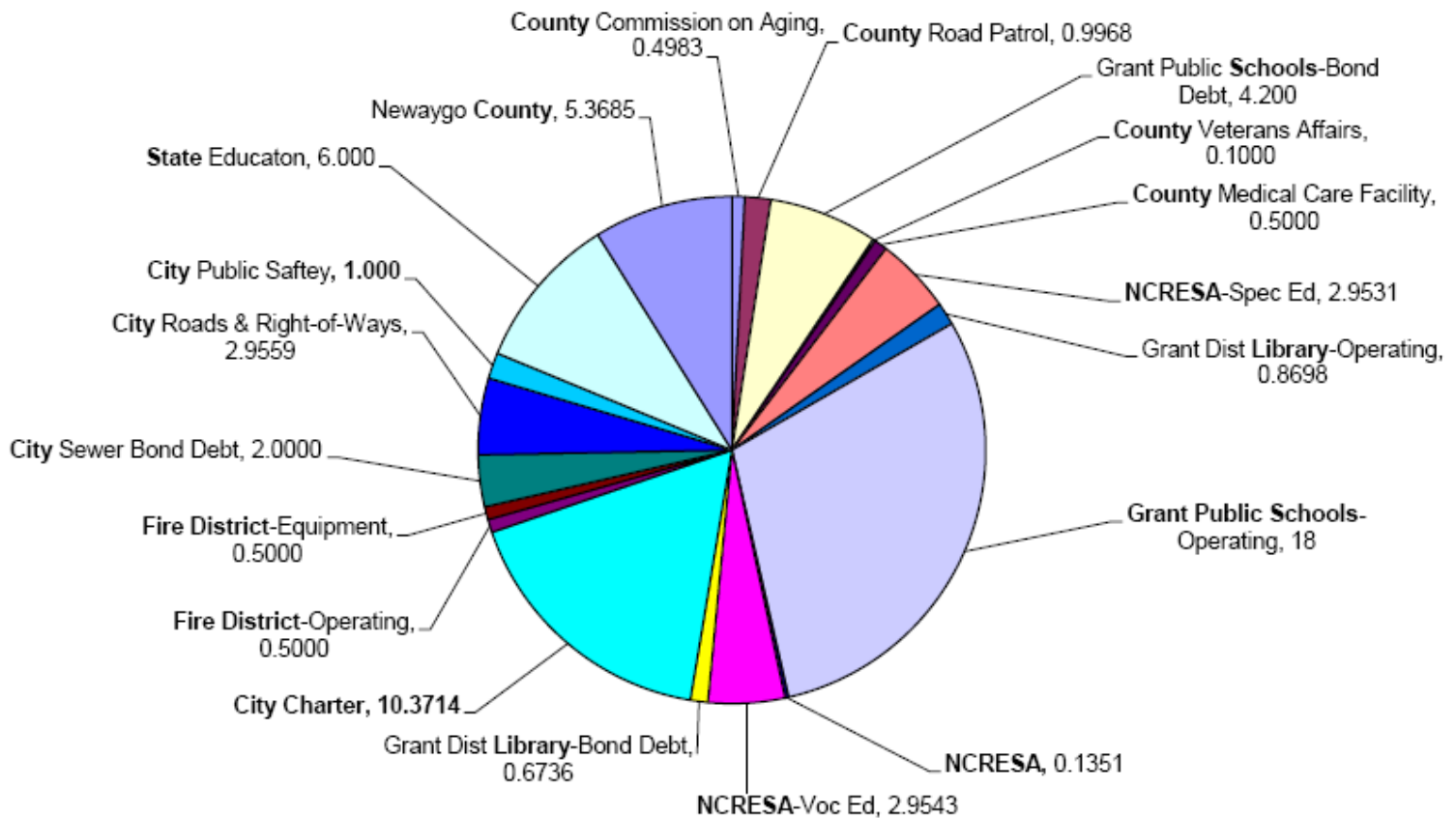
How Governments Use Your Money

WHERE CITIZEN DOLLARS GO

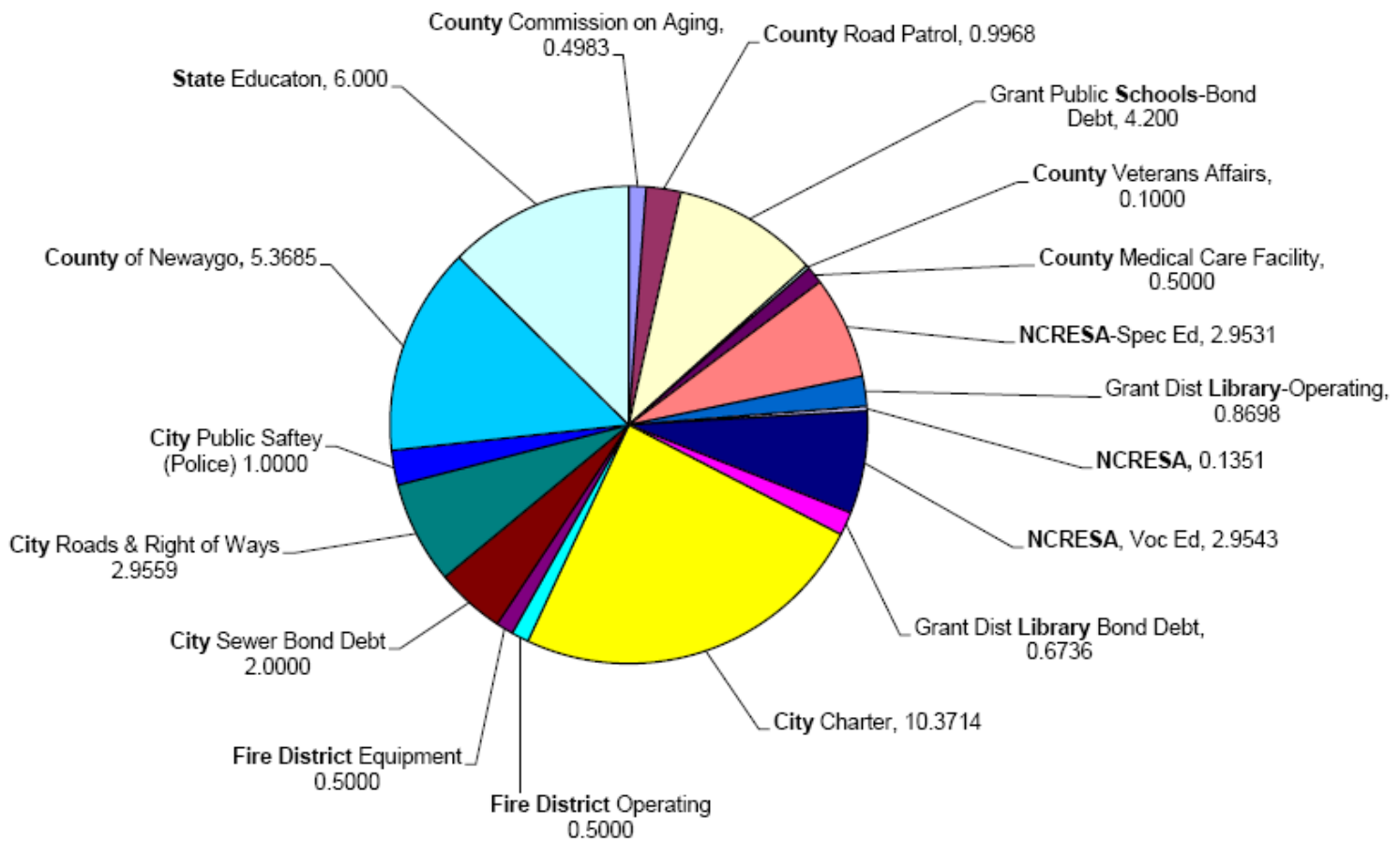
Tax Revenues:

The City of Grant's taxable value declined 1.7% for FY 2011-2012 to \$15,386,218. The City taxable value has declined for three consecutive years during the Great Recession by a total of 11.54%, but with a slight decline of only 1.7% for FY 2011-2012, this is a strong signal that real estate values are bottoming out. Taxable values from \$17,392,207 in FY 2008-2009, \$16,497,996 in FY 2009-2010, \$15,659,579 in FY 2010-2011 to \$15,386,218 for FY 2011-2012. This is the result of the nationwide financial crisis involving financial institutions and foreclosures. Because property values as a whole have declined, taxes have decreased as well. The current expected property tax revenue, adjusted for Headlee Amendment Rollbacks fraction is 10.37 for the General Operating Fund generating an estimated \$159,000 for FY 2011-2012, 2.95 for Roads and Right-of-Ways Fund (\$45,839), 0.5 for Fire Operating (\$7,693.10), 0.5 for Fire Equipment (\$7,693.10), 1.00 mill for public safety (\$15,386) and 2.01 (\$32,311.05) for Sewer Bond Debt for the 1992 sewer bonds.

2010 Winter & 2011 Summer Real Property Taxes Levied For Businesses & Properties Not Homesteaded



2010 Winter & 2011 Summer Real Property Taxes Levied For Homesteaded Properties

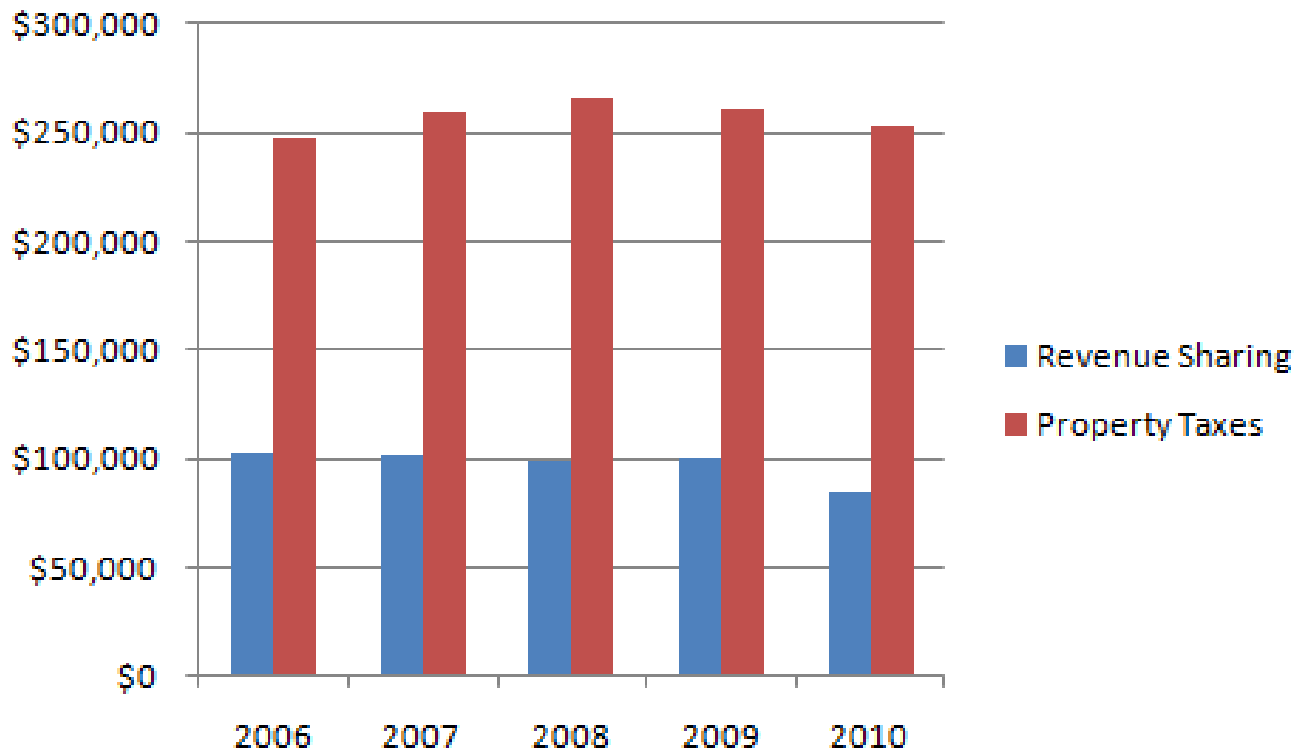


State of Michigan Revenue Sharing:

The State of Michigan will be paying a slight increase in Constitutional State Revenue Sharing to \$58,611 a 2.32% increase. The Statutory portion was completely eliminated a loss of \$28,463. This money will be paid back in thirds to the City up to 62.96% of the \$28,463 based on employee retirement reform (which the City complies with in a defined contribution of 6%), employee health insurance contributions (which the City is already compliant with at 20 and 25% premium contributions) and online “dashboards” showing financial information (which the City already does and will modify to meet any “specific” requirements.) For budgeting purposes, only the 62.96% of statutory was included which is \$17,920.30. As preparing this report the State is stating that if all three criteria is met, and there is a surplus in the 300 million statutory pool, it will be distributed in the current formula back to locals for the last payment of the fiscal year.

Revenue Sharing from the State of Michigan has declined significantly in the past decade putting more pressure on local governments to make necessary adjustments to stay solvent. Below is a bar graph illustrating State Revenue Sharing and

Property Tax Revenues from 2006-2010. FY 2011-2012, which will be added at the next audit will demonstrate a much steeper decline in State Revenue Sharing and Property Tax Revenues.



Other Notable Revenues:

Cable Franchise Fees:

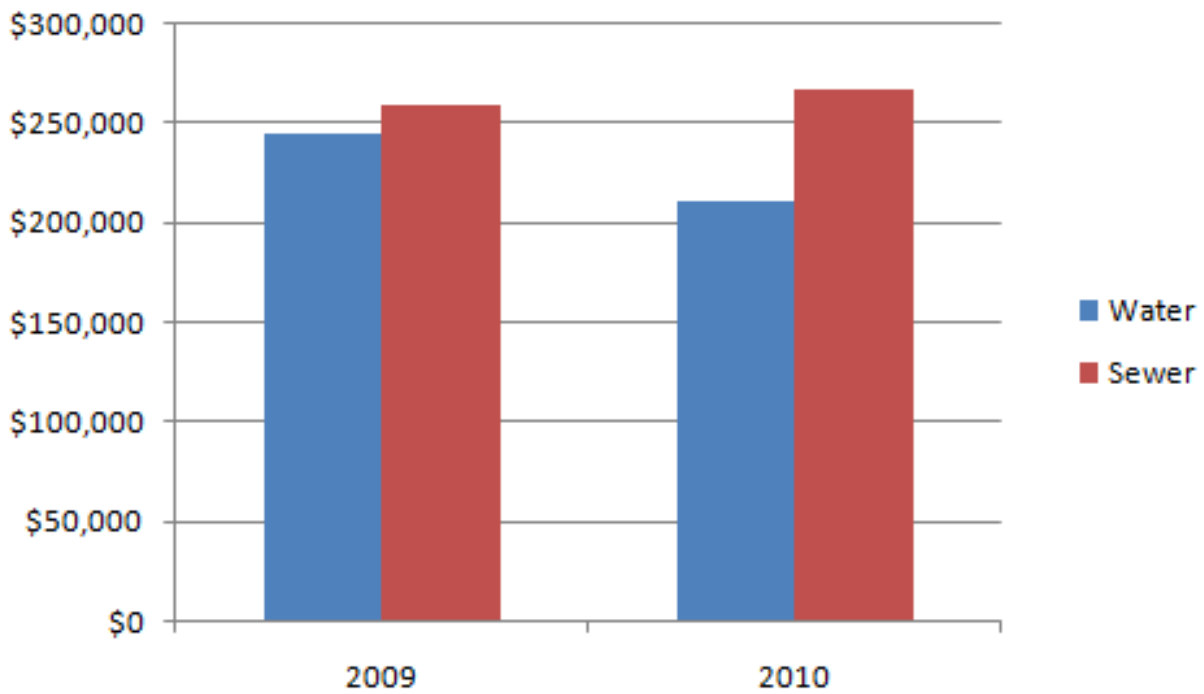
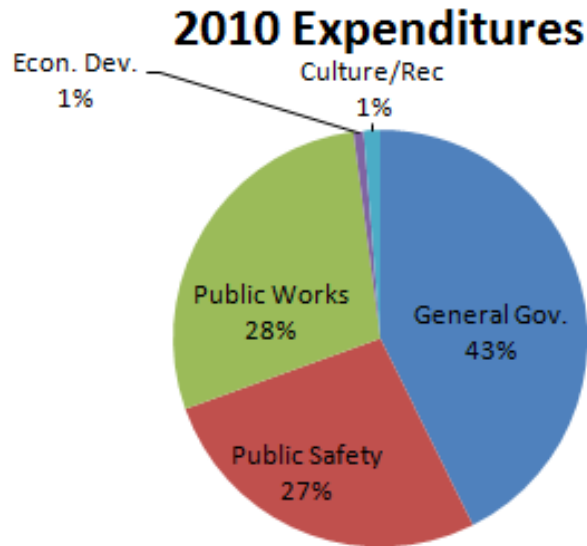
The City has seen its 5% cable franchise fee revenue increase from just over \$3,000 a year ago to an estimated \$5,800 based on ending receipts for 2010-2011. This is a good indicator that residents and businesses are spending more disposable income on cable tv services, indicating an improving local economy.

Cell Tower Revenues:

Cellular tower revenues have increased with a re-negotiated AT&T contract which has added an additional \$300 a month for revenues and the City has secured a lease with Verizon Wireless to locate on City owned property which will bring in revenues at \$7,800 annually.

Expenditures:

Below is a pie chart that illustrates general fund expenditure breakdown in 2010 and a bar graph that illustrates proprietary water and sewer fund expenditures from 2009 and 2010:



Other Notable Information:

Streetlights:

The City has saved about \$3,500 by adding LED lights along M-37 and E and W Main Streets and taking down Consumer's Energy lights. Unfortunately, Consumer's Energy has been successful in its request to the MPSC (State of Michigan) to allow it to raise rates on municipalities and continues to do so. In FY 2010-2011 an audit was conducted and it was determined that Consumer's Energy was charging the City for several lights that did not exist as well as several lights outside of the City's jurisdiction in neighboring townships. A credit including interest back to the City was applied to the City street lighting account with interest totaling \$7,998.61. The City removed six more lights on E State, W State and Front St. to help further address the rate increases. For FY 2011-2012 the City has approved switching all remaining overhead lights to 100 watt high pressure sodium bulbs which will save about \$4 per fixture a month and will make the City compliant with new federal and state guidelines that eliminate any mercury vapor lights in the jurisdiction.

General Fund Balance:

The General Fund-Fund Balance from the most recent audit in FY 2009-2010 left the City with ~\$93,024 in undedicated reserves (25.17% operating reserves). The City has increased its operating reserve fund balance up from 18% from the previous year. Cooperative agreements with Grant public Schools and Newaygo County along with staffing changes/operating models have helped the City move forward in only the second worst recession compared to the Great Depression of the 1930's.

Streets: Major, Local, and Roads and Right of Ways:

Major streets retired transportation bond debt from 2003 (E. and W. State St. rebuild) which will leave more Act 51 money available for Major Streets. The City paid over \$6,000 in general fund money towards a new salt storage facility and with a recent Act 51 amendment, local units of government may now use Act 51 dollars for equipment and facilities related to streets. There is an appropriation from Major streets up to \$11,000 and \$1,500 from local streets to finish the project. It is expected that the cost will be less than the appropriation. Major Streets will pay more for the facility because Major streets receive more salt and plowing as first priority roads. General fund has also already covered nearly 30% of the estimated cost by paying for the first phase in FY 2010-2011. Roads and Right of Ways will pay of the final streetscape payment back to Water in the amount of \$23,450. One of the cost shifts that will help general fund deal with the dramatic cuts in statutory state revenue sharing along with rising streetlight costs from Consumer's Energy, the City will be expensing streetlight bills out of the roads and right of ways funds. This appropriation for streetlights is \$22,000 for FY 2011-2012.

Department of Public Works:

This last year saw changes in the DPW much like that of the water and sewer departments. For FY 2010-2011 the City moved up Shawn Botsford to the DPW Supervisor position and had a police officer pick up hours in the DPW, water and sewer departments along with hiring some miscellaneous part time help for snow removal, etc... For July 1, 2011 the City budget allows for the hiring of a full time employee for the DPW, water and sewer departments. The police officer with his time split will pick up 30 hours in the police department a week and work one 8 hour shift with DPW. These transitions are accounted for in the proposed budgets.

Police Department:

The police department is the only department that is completely funded by general fund, which is comprised of property tax revenue and state revenue sharing. Since property values have declined so drastically and voters have twice approved a 1 mill Public Safety Millage, it is recommended to the Board to ask voters to approve a multi-year millage at the current millage rate (no increase). In the new fiscal year the department has requested the retirement of one of the vehicles which will go to the board for approval to sell.

Fire Fund:

The contract was amended this year in a cooperative measure with Ashland and Grant Townships along with the City. The contract was amended to eliminate the Headlee Harmless clause in the fire contract, eliminated each entity from being charged for fire and first responder runs on top of the operating millage collections. The City and Townships have agreed to make an additional .25 mills as first responders have finally been added to the contract. The total contribution to the Fire District for services will be .5 mills for operating, .5 mills for equipment and an additional general fund appropriation of .25 mills for a total annual financial contribution to the fire district of 1.25 mills. Since the Headlee provision was negotiated out of the contract, it is recommended that the Board ask voters to approve a multi-year millage at the current millage rate (no increase).

Wages and Health Insurance:

FY 2011-2012 reflects a wage increase of 2% for employees and a \$1 per hour raise for miscellaneous part time police officers bumping them up to \$10 per hour. City employees have had no increase or a decrease in recent years. The City Manager has not taken raises in his contract going back to FY 2008-2009. This year's budget reflects the Manager's contract for what was due in FY 2011-2012. The Manager's raises that were given back to the City total \$6,862.50.

City employees have changed health insurance plans several times in recent years in light of unsustainable rate increases by health insurance companies. The City insurance plan that was approved by the City Commission is a high deductible HMO-HSA plan with Priority Health. Single City employees are paying 20% of the premium cost and doubles and families are paying 25% of premium costs. The City previously offered \$1,100 for a taxable fringe benefit for vision and dental insurance. This was reduced to a HSA contribution of \$500. Even with shifting more and more cost to employees and switching health insurance plans several times in recent years, renewal rates no matter what plan is chosen, are anywhere from 15% to 22% each year. What this means is that cost shifts to employees only works as a one-time fix because the future increase by percentage still cost the employer more at an unsustainable rate.

SERVICES THAT ARE PROVIDED

The City of Grant provides basic local government services:

1) Tax Collection: The City Treasurer collects summer and winter taxes for all other units and then disperses these funds to the appropriate entity. For example, the library district, public schools, joint fire district, etc... all have their taxes collected by the City Treasurer, who then once they are collected sends each entities tax money to them. In essence the City Treasurer is vital for all other local entity because the treasurer handles all the collection and administration for all other local units.

2) Accounting and Financial Reporting: The Assistant City Manager/Clerk maintains the General Ledger which includes the current City financial reports.

3) Record Keeping: The City Clerk maintains all records of the City including Ordinances and Minutes.

4) Drinking Water: The Department of Public Works maintains the community water source wells, water treatment facility, water tower and water mains that provide drinking water to 339 homes and businesses.

5) Sanitary Sewer: The Department of Public Works maintains sewer lift stations and sewer mains and the City contracts with a private operator for labor at the wastewater treatment plant and lab to make sure that all wastewater generated in the City to 339 households and businesses is treated properly with the environmental impact of a family of beavers.

6) Roads: The Department of Public Works maintains 2.69 Miles of Major Street Roads and 3.34 Local Street Roads totaling 6.03miles of roads. The services rendered consist of plowing, crack sealing, filling potholes, street sweeping, striping and painting as well as appropriate traffic signage.

7) Cemetery: The City maintains a cemetery. City DPW staff serve as local sextons to handle burials. DPW staffs also mow, plow and remove leaves from the cemetery to keep it in proper and respectful conditions.

8) Police: The City of Grant operates its own police department to provide for enforcement of local ordinances and State laws to protect the community. The neighborhood watch is also a function of the police department. The City participates in a joint countywide central dispatch operation.

9) Building Inspections: The City contracts for plumbing, electrical, mechanical, and a building inspector for new construction and renovations to existing structures in a joint collaborative effort with Newaygo County Building Safety and Permits Office.

10) Street Lighting: The City provides for street lighting. The City owns and maintains 43 decorative streetlights and contracts with Consumers Energy for 84 cobra overhead streetlights.

11) Elections: The Assistant City Manager/Clerk and Treasurer/Deputy Clerk administer elections for all level of government and community elections.

12) Assessing Services: The City of Grant provides Assessing services to all properties within the City through a joint collaborative partnership with Newaygo County Equalization.

13) Planning and Zoning: The City provides for planning and zoning services to protect the interests of citizens and help provide for appropriate growth patterns.

14) Community Building: The City provides for a community center that is open and maintained for free or at minimal cost for community groups and functions.

15) Economic Development: The City provides public funding and board membership participation in a countywide economic development office. These services are offered to existing businesses and citizens as well as to recruit new businesses and jobs to the community.

16) Parks and Rec: The City owns and maintains several parks, including Blanche Lake, Historically Registered Water Tower Park and a Skatepark. Maintenance from mowing, painting to facilities maintenance are performed for the community to enjoy.

17) Library: The City has a beautiful library offered in conjunction with surrounding townships.

18) Fire Services: The City offers First Responder as well as Fire protection services through a collaborative Joint Fire District with surrounding Townships.

*How Taxpayer Money is Spent:
Government Revenues and Expenditures*

GOVERNMENT BUDGETS

The City of Grant Maintains copies of the annual budget at the City Office and it is also posted along with Bill Paid Reports and Meeting Minutes online at www.cityofgrantmi.com "click" on the "Transparency tab."

Revenues and Expenditures per 2010 Audit

*City of Grant
Change in Net Assets*

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues						
Program Revenues						
Charges for Services	\$ 110,919	\$ 90,824	\$ 485,449	\$ 379,410	\$ 596,368	\$ 470,234
Operating Grants and Contributions	65,991	72,739	0	0	65,991	72,739
Capital Grants and Contributions	486,975	125,230	723,400	0	1,210,375	125,230
General Revenues						
Taxes	252,726	261,018	33,488	34,729	286,214	295,747
State Shared Revenue	85,034	100,285	0	0	85,034	100,285
Investment Earnings	2,022	5,373	10,711	15,238	12,733	20,611
Sale of Fixed Assets	0	44,472	0	0	0	44,472
Other	12,689	8,656	1,946	2,832	14,635	11,488
Total Revenues	<u>1,016,356</u>	<u>708,597</u>	<u>1,254,994</u>	<u>432,209</u>	<u>2,271,350</u>	<u>1,140,806</u>
Expenses						
General Government	198,862	193,528	0	0	198,862	193,528
Public Safety	124,951	131,014	0	0	124,951	131,014
Public Works	132,517	108,650	0	0	132,517	108,650
Community and Economic Development	3,614	3,521	0	0	3,614	3,521
Culture and Recreation	6,032	18,884	0	0	6,032	18,884
Water	0	0	210,972	244,007	210,972	244,007
Sewer	0	0	267,311	259,483	267,311	259,483
Other Functions	27,535	24,763	0	0	27,535	24,763
Interest on Long-Term Debt	1,891	2,871	0	0	1,891	2,871
Total Expenses	<u>495,402</u>	<u>483,231</u>	<u>478,283</u>	<u>503,490</u>	<u>973,685</u>	<u>986,721</u>
Changes in Net Assets	520,954	225,366	776,711	(71,281)	1,297,665	154,085
<u>NET ASSETS</u> - Beginning of Year	<u>1,286,993</u>	<u>1,061,627</u>	<u>4,137,602</u>	<u>4,208,883</u>	<u>5,424,595</u>	<u>5,270,510</u>
<u>NET ASSETS</u> - End of Year	<u>\$ 1,807,947</u>	<u>\$ 1,286,993</u>	<u>\$ 4,914,313</u>	<u>\$ 4,137,602</u>	<u>\$ 6,722,260</u>	<u>\$ 5,424,595</u>

NUMBER OF GOVERNMENT EMPLOYEES

The City of Grant has historically maintained between 5 and 6 employees regular staff employees both full and part time as well as additional pool of 8-10 part time police officers. This requires all employees to be cross-trained and adaptive to others job responsibilities as well as being very flexible within job descriptions. Currently the City has one fewer employee than last year 2010 due to changes in the operational model at the wastewater plant where the City privatized its operation.

Michigan's Fiscal Health

RESERVES AND MAJOR FUND BALANCES

CITY OF GRANT GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2010

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	ROADS AND RIGHT OF WAYS FUND	STREETSCAPE FUND	NON- MAJOR FUNDS	TOTALS
REVENUES							
Taxes	\$ 186,495	\$ 0	\$ 0	\$ 49,492	\$ 0	\$ 16,740	\$ 252,727
Licenses and Permits	6,104	0	0	0	0	0	6,104
Federal Grants	0	0	0	0	217,017	0	217,017
State Grants	89,131	46,500	15,394	0	0	0	151,025
Contributions from Local Units	0	3,927	0	0	0	0	3,927
Charges for Services	44,547	0	0	0	0	0	44,547
Fines and Forfeitures	3,556	0	0	0	0	0	3,556
Interest and Rents	58,134	78	126	395	0	1	58,734
Other Revenue	170,198	11,780	0	0	96,741	0	278,719
Total Revenues	558,165	62,285	15,520	49,887	313,758	16,741	1,016,356
EXPENDITURES							
General Government	316,103	0	0	0	0	0	316,103
Public Safety	99,718	0	0	0	0	20,831	120,549
Public Works	80,531	38,032	17,795	8,275	478,201	0	622,834
Community and Economic Development	3,614	0	0	0	0	0	3,614
Recreation and Culture	9,803	0	0	0	0	0	9,803
Other Functions	27,535	0	0	0	0	0	27,535
Debt Service	0	0	0	0	0	23,367	23,367
Total Expenditures	537,304	38,032	17,795	8,275	478,201	44,198	1,123,805
Excess (Deficiency) of Revenues Over Expenditures	20,861	24,253	(2,275)	41,612	(164,443)	(27,457)	(107,449)
OTHER FINANCING SOURCES (USES)							
Transfers In (Out)	(3,600)	(23,373)	0	(114,843)	114,843	26,973	0
Net Change in Fund Balance	17,261	880	(2,275)	(73,231)	(49,600)	(484)	(107,449)
FUND BALANCES - Beginning of Year	75,763	11,128	22,048	9,281	49,600	764	168,584
FUND BALANCES - End of Year (Deficit)	\$ 93,024	\$ 12,008	\$ 19,773	\$ (63,950)	\$ 0	\$ 280	\$ 61,135

**Roads and Right of Ways had an Interfund loan from water receiving approved by the City Commission to incur some expenses related to the streetscape project partially funded through MDOT. Roads and Right of Ways Should be in a positive cash position

with a “due to water receiving.” The final payment back to water receiving is FY 2011-2012. This was done for a capital project and is not reflective of any operating deficit.**

DEBT LEVELS

CITY OF GRANT, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Debt payable at June 30, 2010, is comprised of the following individual issues:

Bonds:

\$586,000 Water Revenue Bonds, Series 1994 bonds, due in annual installments of \$10,000 to \$27,000 through June 1, 2034; plus interest at 5.00%.	\$ 480,000
\$1,722,000 Sewer System Revenue Bonds, Series 2009 Bonds in annual installments of \$24,000 to \$68,000 through September 1, 2049; plus interest at 2.625%	1,722,000
\$670,000 Sewer Line Bonds, General Obligation Limited Tax due in annual installments of \$16,000 to \$31,000 through October 1, 2023; plus interest at 5.00%	319,000
\$130,000 Michigan Transportation Fund Bond, General Obligation Limited Tax due in installments of \$8,693 to \$11,421 through December 10, 2010; plus interest at 4.60%	11,421

Other Long-Term Debt:

Accumulated sick and vacation pay owed to City employees	21,293
	<u>\$ 2,553,714</u>

The annual requirements to amortize these debts outstanding other than compensated absences as of June 30, 2010, including interest payments of \$1,528,114, are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 11,421	\$ 263	\$ 51,000	\$ 83,841	\$ 62,421	\$ 84,104
2012	0	0	53,000	82,433	53,000	82,433
2013	0	0	55,000	80,314	55,000	80,314
2014	0	0	59,000	78,107	59,000	78,107
2015	0	0	62,000	75,760	62,000	75,760
2016-2020	0	0	344,000	339,859	344,000	339,859
2021-2025	0	0	389,000	264,944	389,000	264,944
2026-2030	0	0	320,000	200,641	320,000	200,641
2031-2035	0	0	327,000	141,156	327,000	141,156
2036-2040	0	0	250,000	96,967	250,000	96,967
2041-2045	0	0	284,000	61,950	284,000	61,950
2046-2050	0	0	327,000	21,879	327,000	21,879
	<u>\$ 11,421</u>	<u>\$ 263</u>	<u>\$ 2,521,000</u>	<u>\$ 1,527,851</u>	<u>\$ 2,532,421</u>	<u>\$ 1,528,114</u>

PENSION AND OTHER RETIREE BENEFITS

Retirement:

The City offers a 6% defined contribution to employees who work 40 hours a week. Any additional contribution is made by the employee themselves.

Personnel Policy Changes:

For employees hired after January 1, 2011, the City will no longer pay out any personal/sick time if the employees leaves or is terminated. Only unused vacation will be paid out. The total cap for the City paying out liabilities to an employee is 30 days pay. This will help the City with its only long term liability when it comes to employee compensation since there are no retirement or health insurance long term liabilities for the City.

How This Report Was Developed

The goal of this report was to provide the public with as much information as possible on the revenues, expenditures, and other financial activities of state and local governments.

DATA SOURCES AND NOTES

This report was developed based on audited financial statements as reported from 2006 through 2010 being:

- 2006-2007 Audit, Year Ended June 30, 2007: Hendon, Slate & Co., P.C.
- 2007-2008 Audit, Year Ended June 31, 2008: Hendon, Slate & Co., P.C.
- 2008-2009 Audit, Year Ended June 31, 2009: Baird, Cotter and Bishop, P.C.
- 2009-2010 Audit, Year Ended June 31, 2010: Baird, Cotter and Bishop, P.C.