

# ***Dollars and Sense:***

## ***How the City of St. Johns Spends Your Money***

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2011 Citizen's Guide to  
St. Johns' Financial Health

Presented by  
Dennis LaForest, 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*

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Greetings,

I am pleased to present to you “Dollars and Sense: How the City of St. Johns Spends Your Money”. The purpose of this document is to increase the transparency of local government and provide to citizens an easy-to-read document that demonstrates where tax dollars are spent and the financial condition of our city.

The City of St. Johns has received a “Certificate of Achievement for Excellence in Financial Reporting” from the GFOA (Government Finance Officers Association) for our Comprehensive Annual Financial Reports for the last eleven years from Fiscal Years Ending June 30, 2000 through June 30, 2010. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year only and fewer than 5% of Michigan municipalities receive this annual award.

The City has numerous joint collaborations with other local entities such as: Clinton County, St. Johns Public Schools, Bingham Township and other local townships. These collaborations are a way for all of us to save taxpayer dollars and not duplicate services.

Please allow me to assure you that the City remains financially sound despite the severe economic conditions we are experiencing today. The City has been able to give the taxpayer a value for their tax dollars without raising taxes and yet still provide the same services that our citizens expect.

The City’s financial Audit can be viewed at [www.michigan.gov/treasury](http://www.michigan.gov/treasury). If you have any questions regarding this report, please do not hesitate to contact us at (989) 224-8944.

Sincerely,

Dennis LaForest, City Manager  
City of St. Johns, Michigan

## *How Governments Use Your Money*

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### **WHERE CITIZEN DOLLARS GO**

Money collected from residents includes: property taxes, water and sewer bills, recreation program fees, and licenses and permits.

### **SERVICES THAT GOVERNMENTS PROVIDE**

The City provides a full range of municipal services including police and fire protection, refuse and recycling collection, water, sanitary sewer, storm sewer, streets, infrastructure development and maintenance, park and recreational facilities, library services and general administrative services. The City is also a member of a local ambulance authority that provides medical services to the City and surrounding townships.

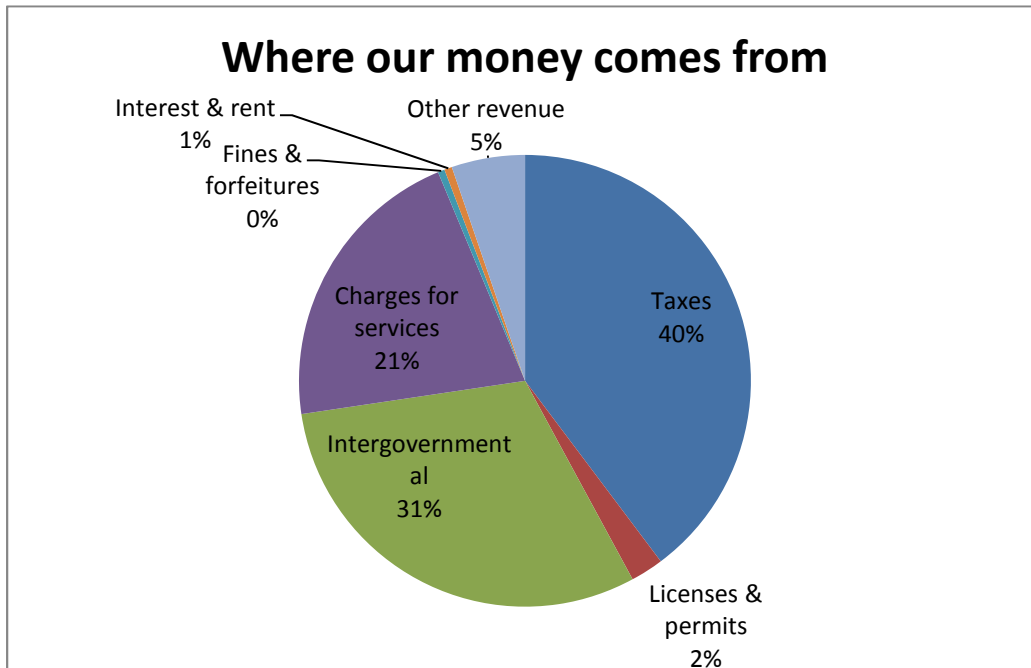
## How Taxpayer Money is Spent: Government Revenues and Expenditures

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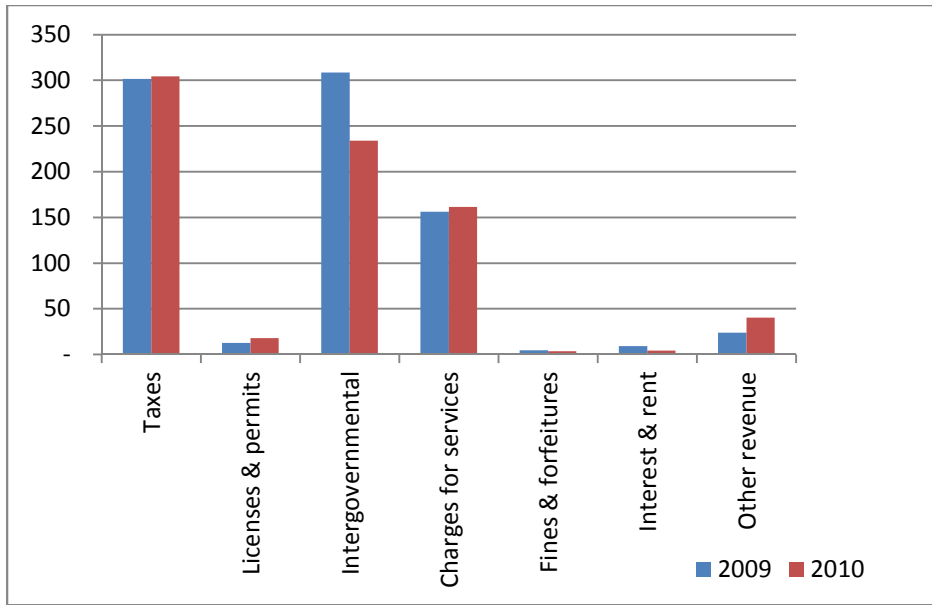
### GOVERNMENT BUDGETS

Prior to April 1<sup>st</sup>, the City Commission and City Manager prepare and submit their proposed operating budgets for the fiscal year commencing the following July 1<sup>st</sup>. The operating budget includes proposed expenditures and resources to finance them. A public hearing is then conducted to obtain taxpayers' comments. Prior to June 1<sup>st</sup>, a budget is legally enacted through passage of a resolution.

#### Revenues.

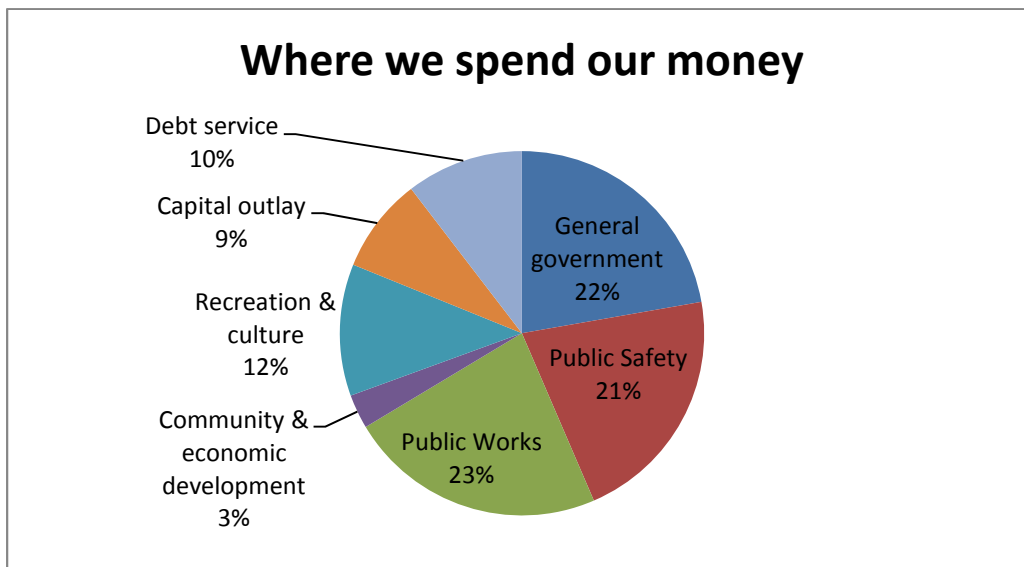


## Revenue Sources Per Capita Compared to the Prior Year

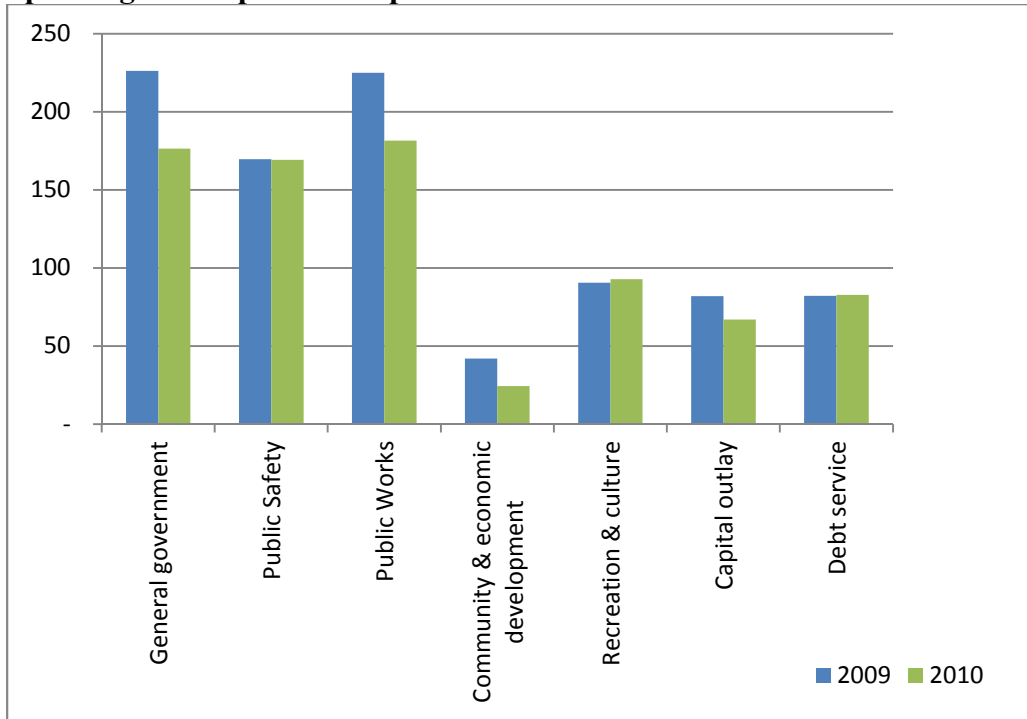


## Expenditures.

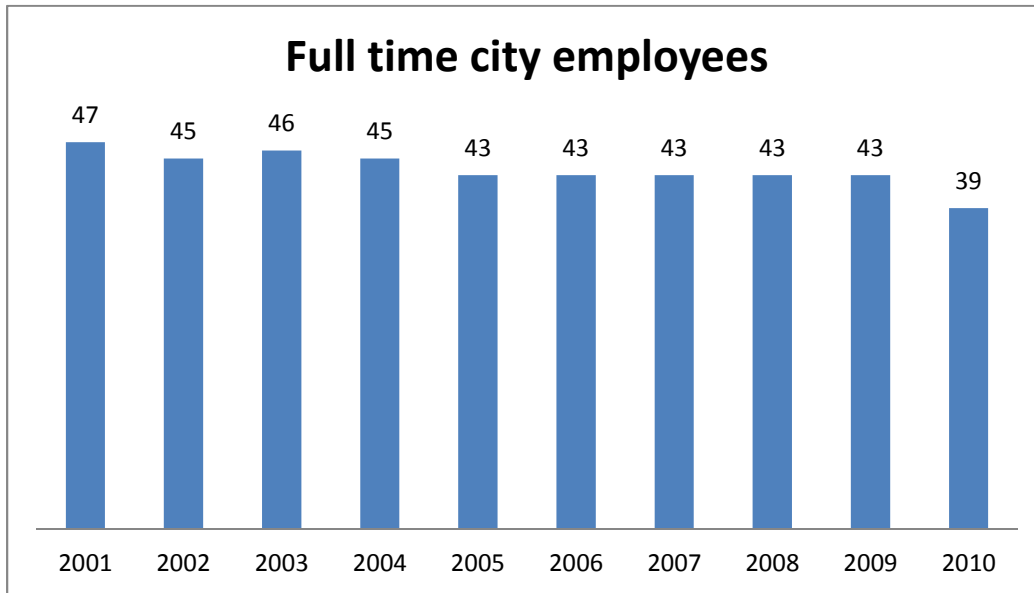
The City of St. Johns continues to demonstrate a conservative philosophy towards expenditures with an underlying goal to provide maximum public service and yet remain financially stable. The 2009/2010 fiscal year audit indicated that the City's financial position continues to be within acceptable standards in spite of the tough economic times. During these tough times the City staff demonstrates the dedication, commitment, and professionalism in serving the citizens of St. Johns.



### Spending Per Capita – Compared to the Prior Year



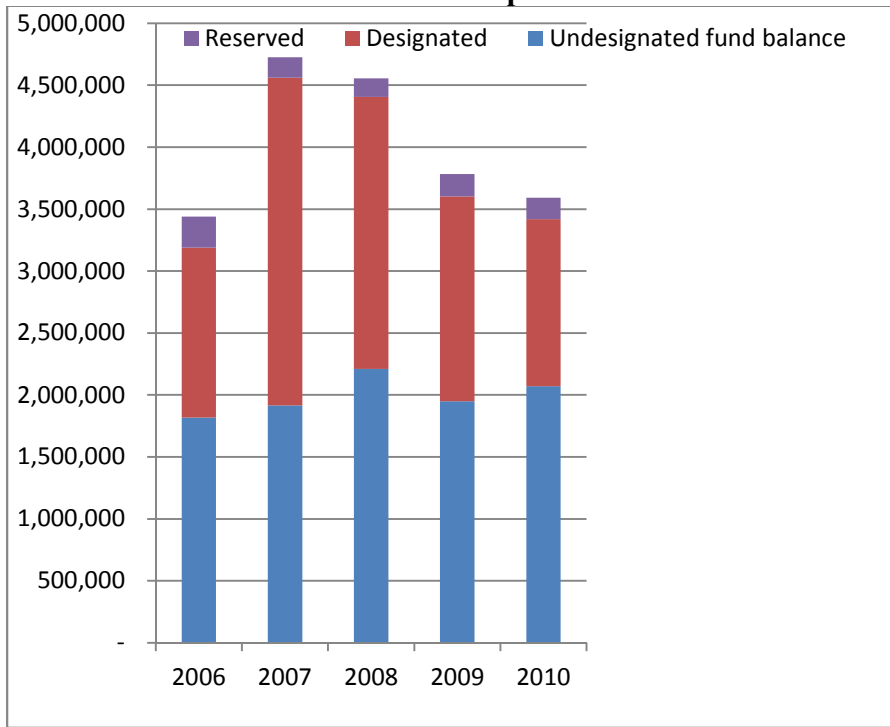
### NUMBER OF GOVERNMENT EMPLOYEES



**RESERVES AND MAJOR FUND BALANCES**

It is no secret that both near term and long term revenue forecasts for Michigan paint a rather bleak financial picture. Both revenue sharing and property tax receipts are moving in the wrong direction. In the face of what can fairly be characterized as a financial crisis, the City of St Johns has not only averted a budgetary shortfall, but continues to maintain a healthy fund balance. Management has had to make tough decisions on the personnel side in order to reduce operating costs but also continues to control overhead costs utilizing technology to advance greater efficiencies within the organization.

**Historical Trends of Individual Components**



**DEBT LEVELS**

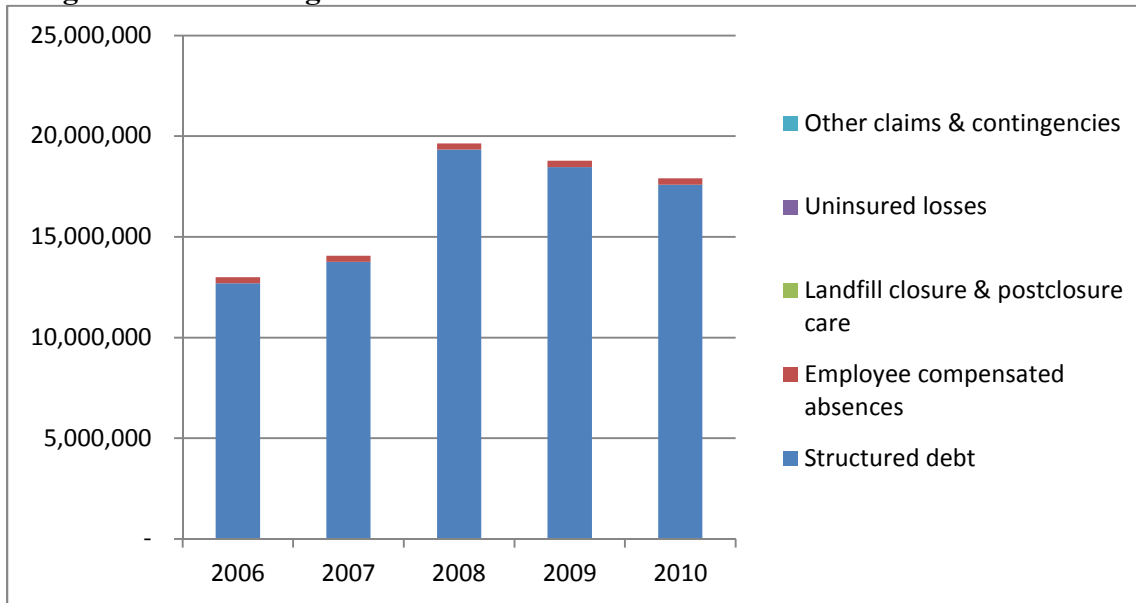
Long-term debt - As of June 30, 2010, the City of St. Johns had \$17,885,105 in bonds, notes, loans and compensated absences outstanding. Of this amount \$16,803,945 is bonds, \$318,249 is compensated absences, and \$762,911 is loans and notes.

The City’s overall millage has decreased from a 2003/2004 levy of 11.6332 to our 2011/2012 levy of 11.1682 a decrease of 0.465 mills. The City currently has no GO Bond debt that affects the levy. Our community continues to benefit from a modest tax levy as well as a modest debt level in comparison to similar cities of population and location.

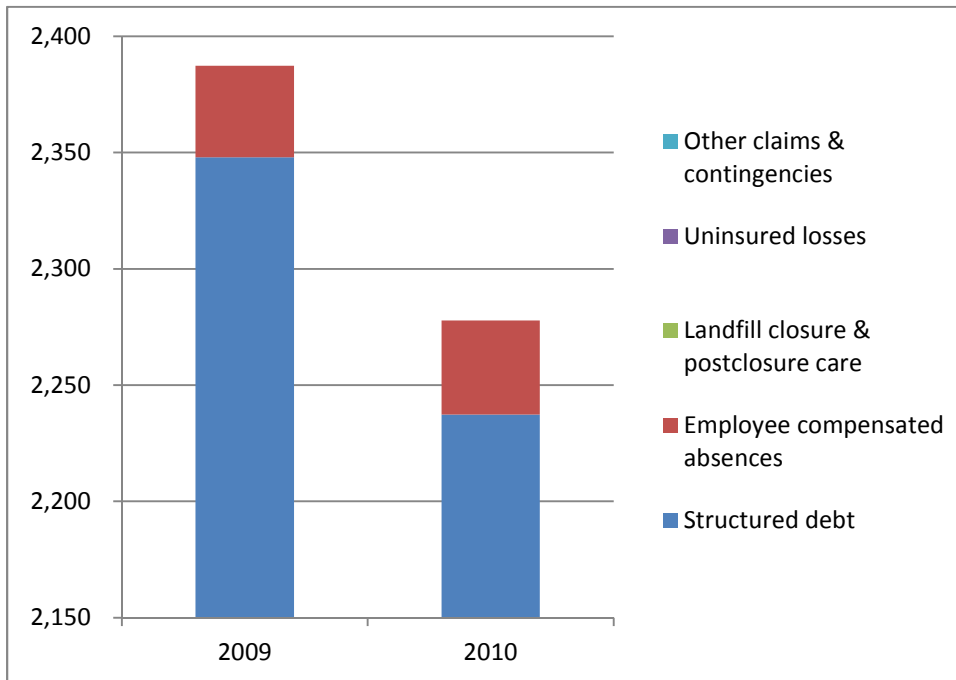
**Millage Comparisons for General Operations, Debt, Library and Garbage Functions**

Fiscal Year	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12
Millage	11.6332	11.353	11.342	11.318	11.3066	11.1554	11.1554	11.1583	11.1682

**Long Term Debt Obligations**



## Debt & Other Long Term Obligations Per Capita – Compared to the Prior Year



### PENSION AND OTHER RETIREE BENEFITS

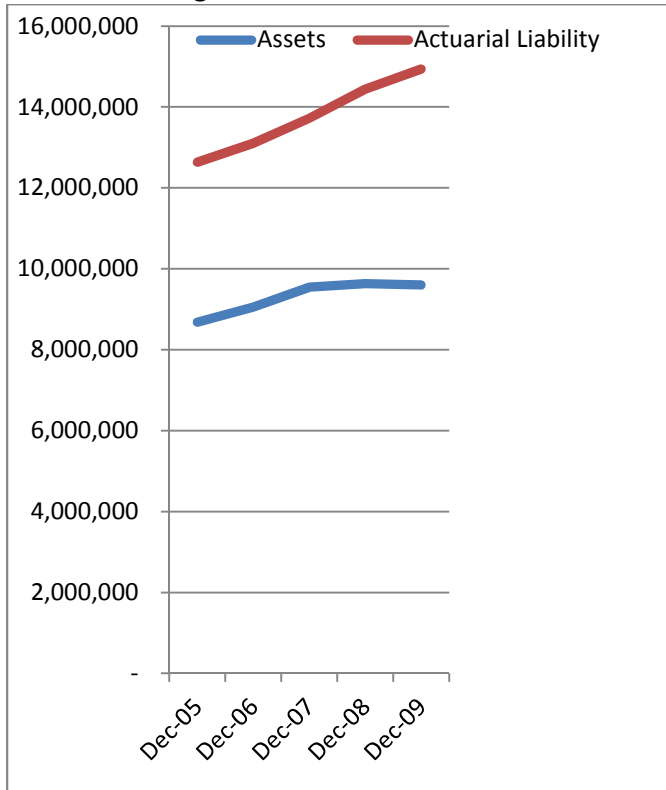
#### Defined Contribution Plan

The City is the sponsor of a defined contribution retirement plan for the sole benefit of its employees. The plan is administered by the Michigan Municipal Employees Retirement System. The plan was established by the City Commission. Plan provisions and contribution requirements can be amended by the City Commission. Non-union employees hired after May 31, 2003 receive 8% of their wages as a contribution to the plan. Non-union new hires have an irrevocable option at the time of hire to contribute 2% of their wages to the plan and the City matching this contribution. If this option is refused, then the 8% City funding is what is received. Union employees hired after July 1, 2007 receive 8% of their wages as a contribution to the plan. The City will match up to 4% of additional contributions for a total maximum contribution of 16%. To be eligible to participate, an employee must be full time. Elected officials and volunteer firefighters are not eligible for this plan.

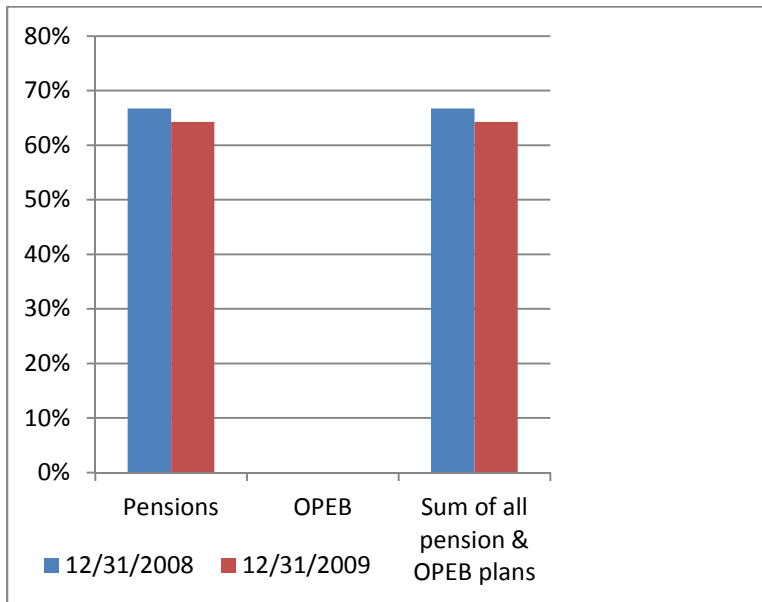
#### Defined Benefit Plan

The City participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the City (those hired before May 31, 2003). The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

**Pension Funding Status**



**Percent Funded – compared to the prior year**



*OPEB – Other Post-Employment Benefits*

Retiree Health Care

Retiree health care is not offered by the City. Retirees have the option to purchase their own health care through the City’s carrier, if available.

## **PUBLIC BUDGET GAP**

Public Budget Gap is measured by adding any new unfunded obligations for pensions accrued during the year to current expenses.

### **St. Johns' Public Budget Gap**

	<b>FY 2009</b>	<b>FY 2010</b>
Surplus/(Deficit)	(\$785,806)	(\$218,503)
New Unfunded Pension Obligations	(\$633,441)	(\$530,355)
*New Unfunded Health Care Obligations	\$0	\$0
<b>PUBLIC BUDGET GAP</b>	<b>(\$1,419,247)</b>	<b>(\$748,858)</b>

**\*The City does not provide retiree health care.**

## *How This Report Was Developed*

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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**

City of St. Johns' Comprehensive Annual Financial Reports from June 30, 2006 through June 30, 2010 were used.