



Dollars and Sense: **How the City of the Village of Douglas Spends Your Money**

2011 Citizen's Guide to
City of the Village of Douglas's Financial Health

Presented by
City of the Village of Douglas Finance Department

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. Governments can have both short-term debt (paid back within the fiscal year) and long-term debt. Debt can be either **general obligation** debt, meaning the government 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 services fees. The City has long-term debt for the loan on City Hall and the Blue Star Bridge Rehabilitation Project.

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. The City of the Village of Douglas uses a July 1- June 30 fiscal 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 in 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**.

Reserved/Restricted Funds: Some of the 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,

As part of Governor Snyder's Plan to reduce the state budget, we are required to prepare and distribute an accountability and transparency report using the template provided by the Governor.

This report will supplement our annual audit by an independent Certified Accounting Firm, and uses the audited financial Statements from July 2001 to our last Financial Statement of June 2010, to present this information in, hopefully, an easy to understand manner. Our audits are located on-line at our website, along with other financial information, like our current and proposed budgets for the year.

This audited information is added to information provided by the State of Michigan about private business, other local governments, and the State of Michigan; to create charts where you can compare the City of the Village of Douglas's financial information, with other local governments, the state government and private business.

We hope that after you read this report, you will understand the sources of revenue to operate the City, the services the City provides and the cost of offering these services. Also, we hope you will compare the City against private business, other local governments and the State of Michigan to see if we are operating more or less efficiently, and if we are spending the taxpayers' money wisely.

If you have questions about this report, the audited Financial Statements or general city finance operations, please feel free to stop by the Treasurer's Office or call 269-857-1438.

Sincerely,

Robert P. Drexler, City Treasurer/ Finance Director
The City of the Village of Douglas

How Governments Use Your Money

WHERE CITIZEN DOLLARS GO

Several different types of revenue sources are collected by the City. Major sources of revenue include:

- **Property Taxes-** Property taxes are collected by the City for both real and personal property. Taxes are billed twice per year, July 1st and December 1st. Currently the City levies 13.0818 mills for the general fund, which has stayed consistent since 2005, when Douglas became a City.
- **State Shared Revenue-** Amounts distributed to local governments from the State of Michigan from Sales Tax and Gasoline Tax collected by the State.
- **License and Permit Fees-** These fees include building inspections, business licenses and rental property inspection fees in the City.

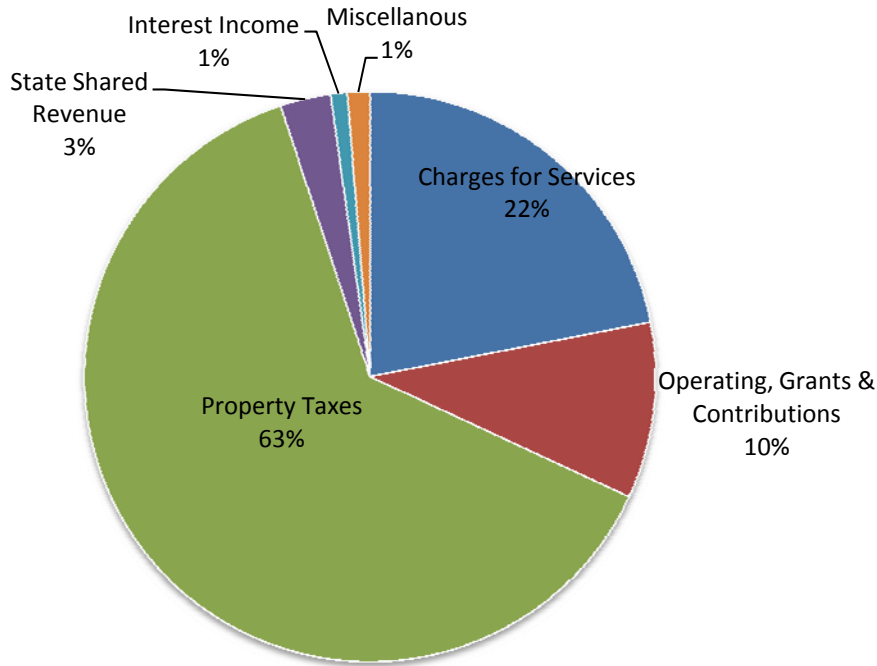
SERVICES THAT GOVERNMENTS PROVIDE

The City of the Village of Douglas provides numerous essential and non essential services to its residents. Major Services provided include:

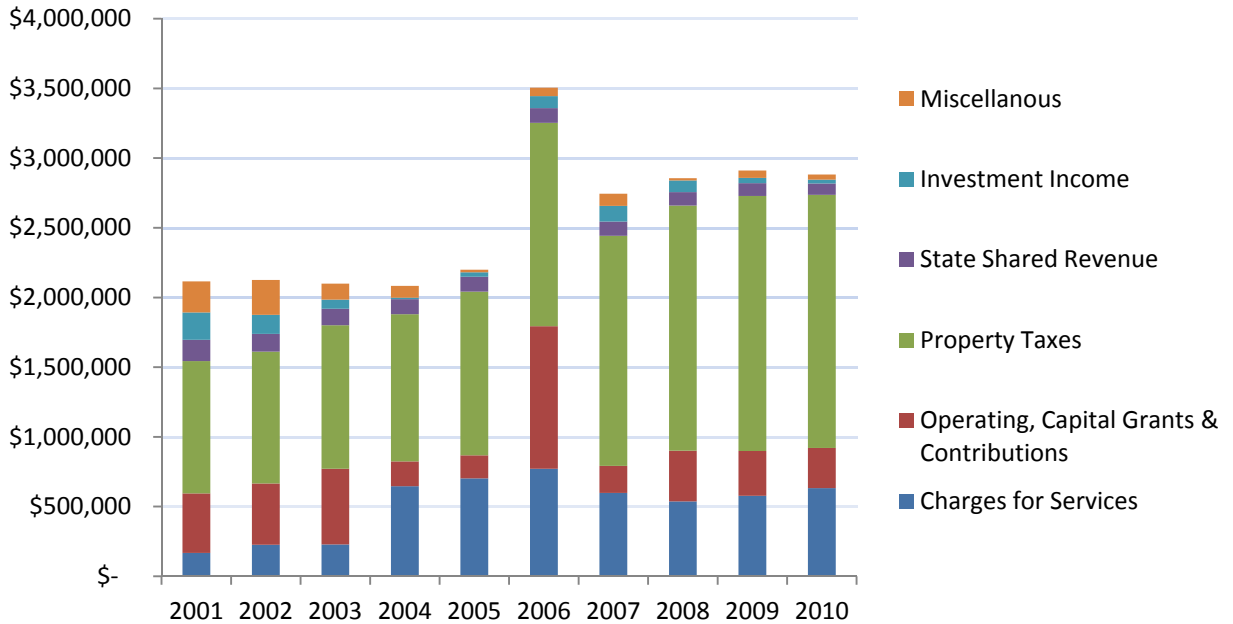
- **Public Safety-** The Saugatuck/ Douglas Police Department provides 24 hour coverage for the two cities. The Police Department is located downtown Douglas across from the Post Office. Fire protection is provided by the Saugatuck Township Fire District located on Blue Star Highway in Saugatuck Township.
- **Public Works-** The City's Public Works Department provides snow plowing services with 24 hour coverage, leaf and brush pick-up and general maintenance around the city and in the parks.
- **Community & Economic Development-** Provides services including building inspections, planning and zoning, and engineering. Also, provides economic development opportunities for both new and existing business in conjunction with the Douglas Downtown Development Authority.
- **Parks & Recreation-** The City maintains 4 public parks and the Douglas Beach totaling over 100 acres.

How Taxpayer Money is Spent: Revenues and Expenditures

2010 GOVERNMENTAL FUNDS REVENUE

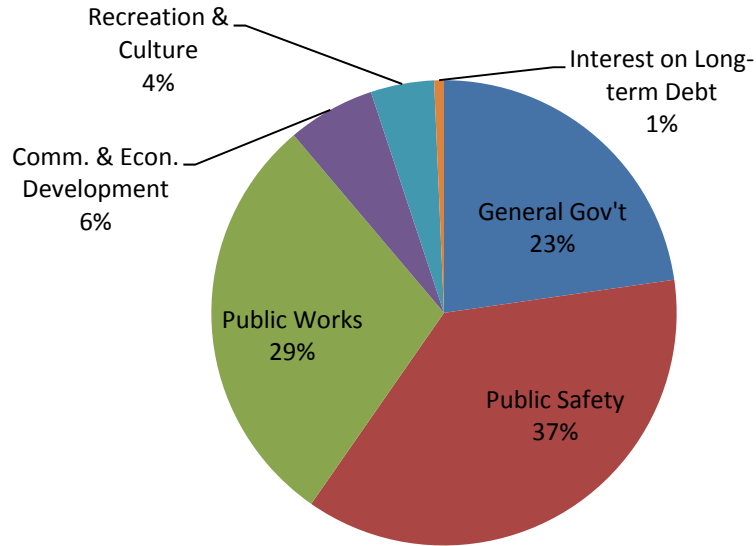


Total Revenues

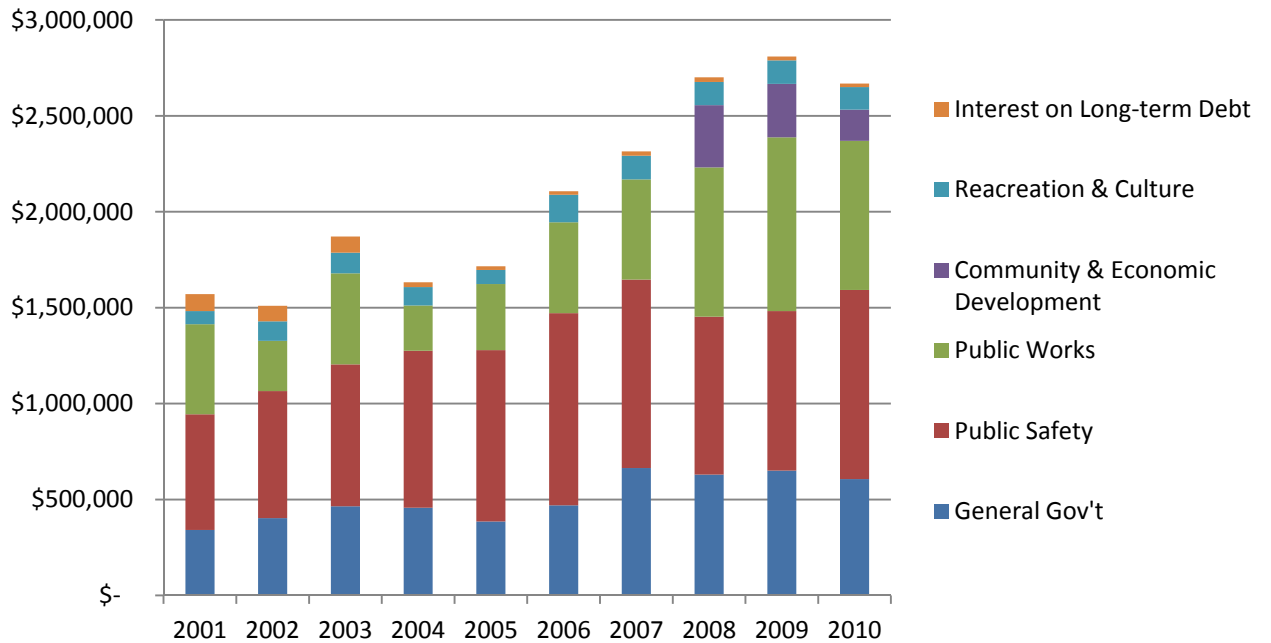


How Taxpayer Money is Spent: Revenues and Expenditures

2010 GOVERNMENTAL FUNDS EXPENDITURES



Total Expenditures



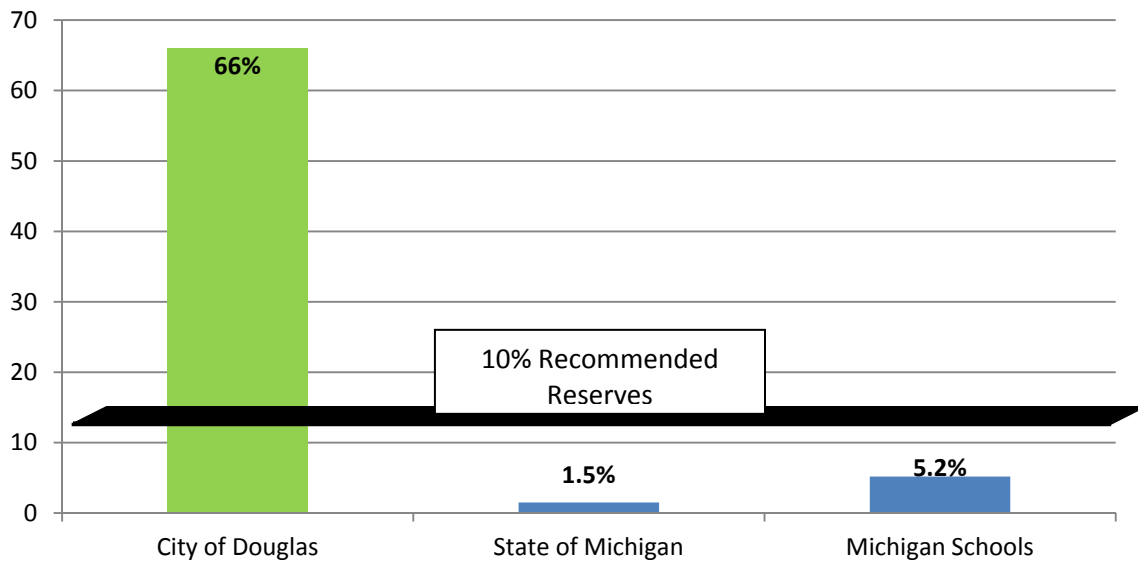
Michigan's Fiscal Health

RESERVES AND MAJOR FUND BALANCES

City of the Village of Douglas Totals

		% of Net Equity	% of Expenditures
Cash Balance	\$ 2,214,424	100%	95%
Cash On-hand	\$ 613,172	28%	26%
Available Reserves (funds not restricted)	\$ 1,539,712	70%	66%
Total Assets	\$ 2,549,805		
Total Liabilities	\$ 335,381		
Net Equity	\$ 2,214,424		
Total Annual Expenditures	\$ 2,325,922		

Available Reserves (As % of Expenditures)

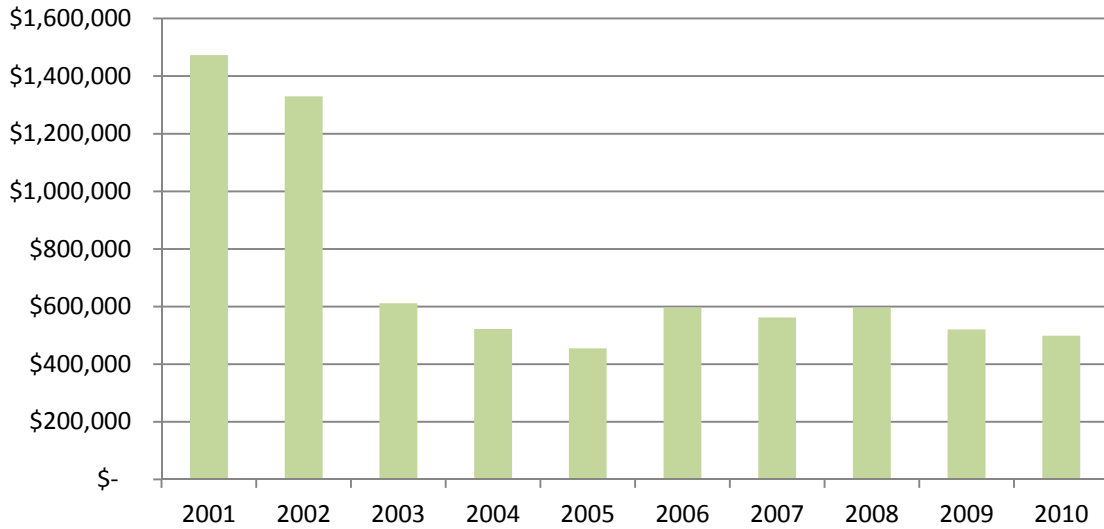


The first chart shows the City's totals for fiscal year 2010 regarding cash reserves. The graph compares the City's, State's and school's fund balance reserves as a percentage of expenditures as well as the Governor's recommended 10% reserve level.

Michigan's Fiscal Health

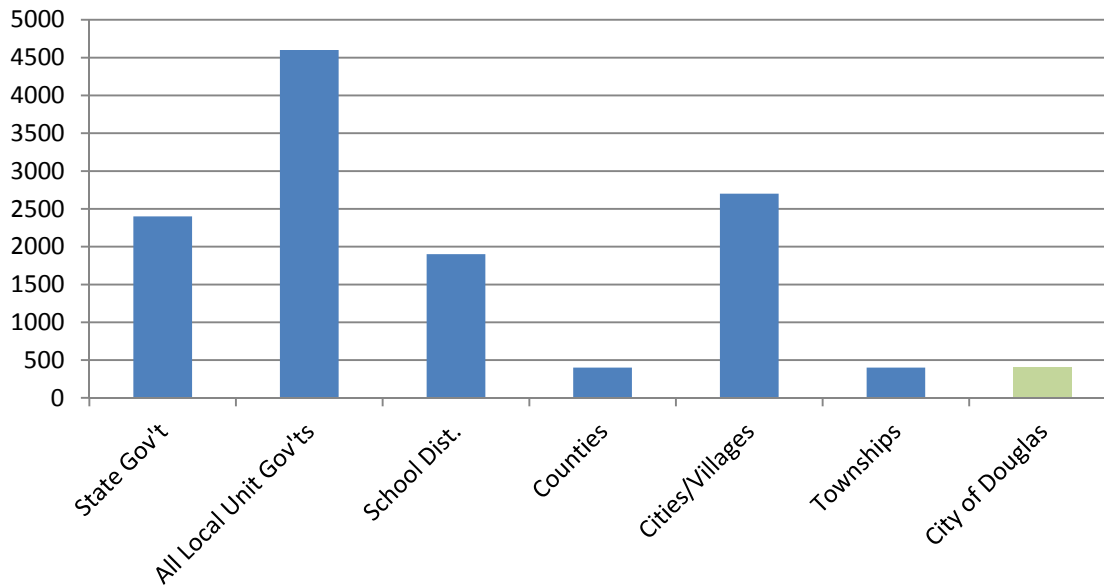
CITY OF THE VILLAGE OF DOUGLAS GOVERNMENTAL FUNDS LONG-TERM DEBT

Long-term Debt



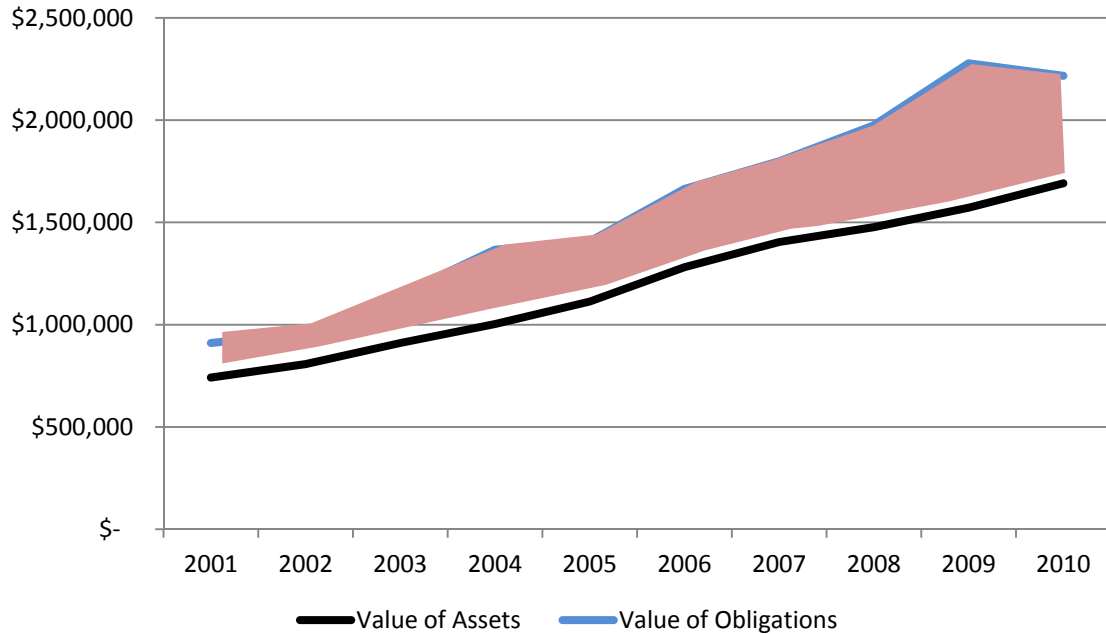
The City's outstanding debt as of the end of FY 2010 consists of loans for City Hall and Uncompensated Absences. In FY 2011 the City issued a Capital Improvement Bond in the amount of \$325,000.

Governmental Funds Debt Levels Per Capita



Michigan's Fiscal Health

PENSION POST EMPLOYMENT BENEFITS



The City offers pension benefits for its employees and the graph above displays the value of assets compared to the value of obligations. The portion shaded in red represents the unfunded portion of the pension benefits. The unfunded portion as of 12/31/2010 is in the amount of \$525,391 which represents 34% of the liability is unfunded.

The City does not offer retirees post employment health insurance.

PUBLIC BUDGET GAP

-Quickly rising benefits, poor market conditions and insufficient contributions have resulted in a state and local pension shortfall of at least \$18.2 billion.

-A *deficit* is the extent to which expenses exceed revenue in a given year. However, state and local governments have unfunded obligations that are not recognized in their deficits- namely, unfunded pensions and retirement health benefits are not recognized as liabilities and therefore not included in the budget surplus or deficit figure. Though governments have not fully funded these obligations, they will eventually have to pay for them since the Michigan Constitution guarantees pensions (but not retiree health benefits) for public employees. We present an alternative measure to the budget deficit called the *public budget gap*.

The above quotes are from Governor Snyder's 2011 Citizen's Guide to Michigan's Financial Health. The City of Douglas has a defined contribution pension plan, which means the obligation for pension contributions are paid monthly and included in our current budget. The City has developed a plan in correlation with budgeting for monthly costs of pension benefits to reduce and eliminate the unfunded portion of the retiree's pension plan over the next several years.

The City has no unfunded obligations for retiree health insurance since the City does not offer that post employment benefit.

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. If you have any questions about the information presented, please call the City Treasurer at 269-857-1438

DATA SOURCES AND NOTES

All Direct Quotes- 2011 Citizen's Guide to Michigan's Financial Health, Presented by Governor Rick Snyder

All Financial Information For the City of the Village of Douglas is from the City's Audited Financial Statements, located at City Hall

All Comparison Information Charts- provided by Governor Rick Snyder to use in local reports