

THE VILLAGE OF ALMONT



CITIZEN'S GUIDE TO LOCAL FINANCES SEPTEMBER 2014

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WELCOME

Welcome to the 2014 Citizen's Guide to Local Finances for the Village of Almont.

This report contains information regarding the Village's revenues, expenditures, unfunded liabilities, and long-term debt obligations. It is our hope that our residents will find this information useful. Questions concerning this guide may be directed to the Village Manager or Clerk/Treasurer at (810) 798-8528.

Village President – Steve Schneider

President Pro-Tem – Tim Dyke

Council Member – Rick Lauer

Council Member – Dave Love

Council Member – Gary Peltier

Council Member – Melinda Steffler

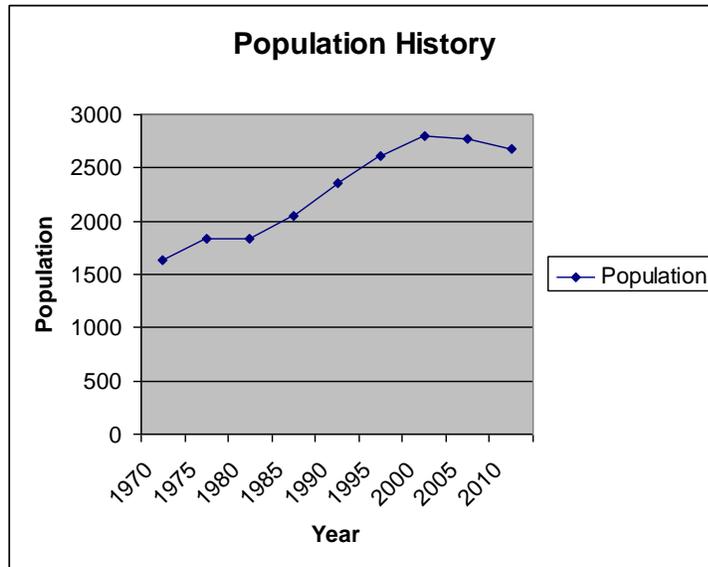
Council Member – Rick Tobias

BASIC CENSUS DATA

Historical Population of the Village

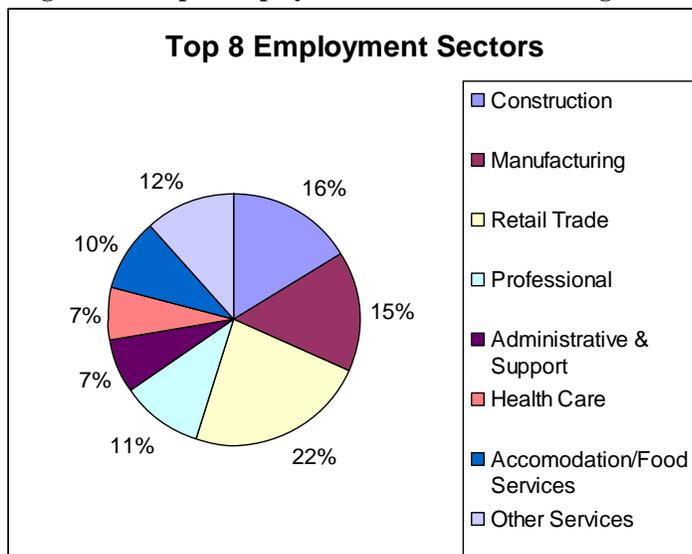
Population within the Village gradually increased between 1970 and 2000 but began to decrease between 2000 and 2010 as a result of the widespread economic stress experienced by the State of Michigan. Residential growth in the Village is expected to increase to the extent the housing market rebounds within the next 5-10 years.

Diagram 1 –Population History for the Village of Almont



Employment within the Village

Diagram 2 – Top 8 Employment Sectors for the Village



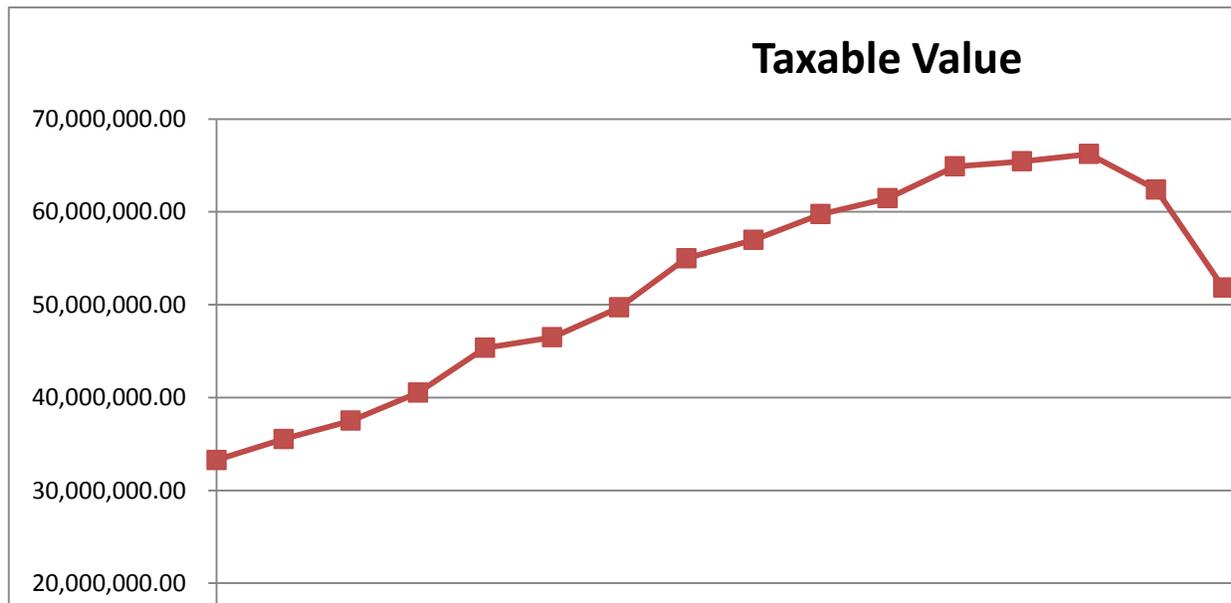
According to the U.S. Census Bureau, the top 8 employment sectors for the Village in 2010 included construction, manufacturing, retail trade, professional services, administrative and support services, health care services, accommodation and food services, and other services. The Village of Almont is seeking to further diversify this economic base through economic development initiatives such as the Next Michigan Development Corporation.

BASIC FINANCIAL INFORMATION

Taxable Value of the Village

The taxable value of the Village steadily increased between 2000 and 2008 but decreased significantly (19.3%) between 2008 and 2014. This decrease in the taxable value of the Village has caused it to employ fewer full time employees. Diagram 3 below displays the taxable value of the Village between 1995 and 2014.

Diagram 3 – Taxable Value of the Village



Established Rates and Fees for the Village

Drinking Water Revolving Fund Millage Rate – This rate produces revenues that are collected in order to pay back the bonds which were issued in 2007 for the construction of the Village’s water tower. The rate is currently 2.275 mills.

Refuse Collection Fee – This fee produces revenues to pay Emterra for refuse collection services. The current refuse collection fee is \$152.88 for every 12 months of service. The Village also charges an additional \$0.50 monthly fee for administration of the service.

General Millage Rate – The current general operating millage rate is 13.567 mills. This millage generates revenues used to finance central municipal operating activities, police protection service, parks and recreation events and service, and public works services.

Sanitary Sewage Overflow (SSO) Rate – This rate collects fees to make payments on bonds which financed the 2002 Wastewater Treatment Plant improvement project. This project resulted in the construction of four (4) 500,000 gallon equalization basins at the treatment facility. The current SSO rate is \$2.15 per 1,000 gallons of inside water used.

Sewer Rate – This rate produces revenues to pay for the operating expenses associated with the sanitary sewer system and the operation of the wastewater treatment plant. The current sewer rate includes a fixed charge per quarter based upon the size of the meter (see charter below) as well as a consumption charge of \$7.95 per 1,000 gallons of inside water used.

Meter Size	Fixed Quarterly Charge
¾"	\$39.50
1"	\$47.40
1 ½"	\$69.12
2"	\$100.72
3"	\$187.62
4"	\$314.01

Water Rate – This rate produces revenues to pay for the operating expenses associated with the delivery of water from the Detroit Water & Sewerage District to the Village of Almont as well as all appropriate costs related to the operation of the water system. The current water rate includes a fixed charge per quarter based upon the size of the meter (see chart below) as well as a consumption charge of \$5.25 per 1,000 gallons.

Meter Size	Fixed Quarterly Charge
¾"	\$33.00
1"	\$46.81
1 ½"	\$68.26
2"	\$99.46
3"	\$185.27
4"	\$310.08

Water Supply System Improvement Millage Rate – This rate produces revenues that are collected in order to pay back the bonds which financed the 1996 Water Supply System improvements that strengthened the water system of the Village. The current rate levied for the repayment of these bonds is 1.50 mills.

SERVICES OFFERED BY THE VILLAGE

The revenues collected from the above mentioned millage rates and fees support several basic services offered by the Village. These services include:

- Police protection and law enforcement services
- Economic development services
- Infrastructure development and maintenance and snow removal
- Refuse collection and curbside recycling
- Brush and leaf pick-up services
- Park facilities, programs, and services
- Water and sewer service delivery

REVENUES

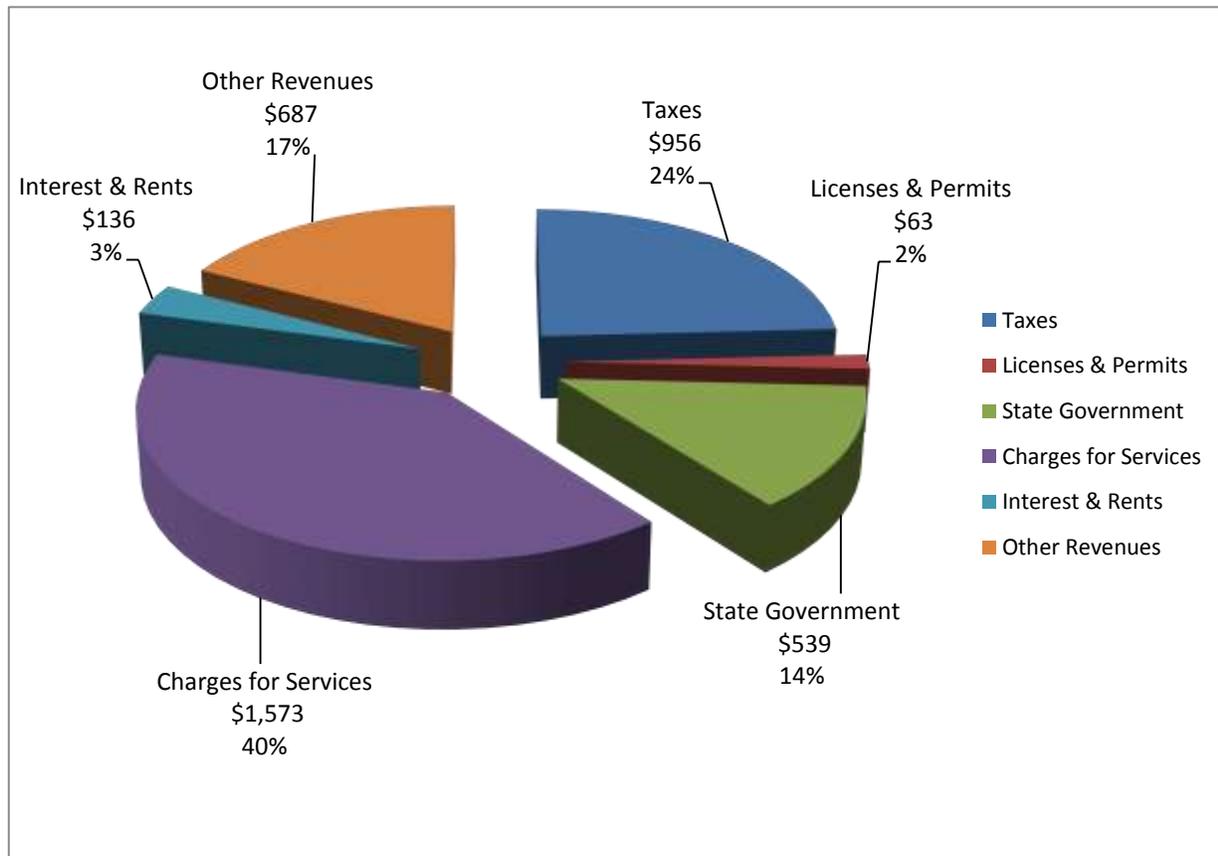
The Village of Almont collects revenues from a wide variety of sources. A summary of these sources for recently audited years is listed below in Table 1.

Table 1 – Recent Revenue History (Represented in Thousands of Dollars)

	2011	2012	2013	% Change Between FY 2012 & FY 2013
Taxes	908	958	956	-0.20%
Licenses & Permits	21	39	63	61.23%
State Government	394	385	539	40.10%
Charges for Services	1329	1511	1573	4.08%
Interest & Rents	131	107	136	27.49%
Other Revenues	467	991	687	-30.71%
Total	<u>\$3,250</u>	<u>\$3,991</u>	<u>\$3,954</u>	-0.93%

The significant decrease in other revenues in Table 1 between FY 2012 and FY 2013 occurred due to the fact the Village obtained bond funds to finance the upgrading of the East St. Clair lift station and sanitary sewer alarms at each lift station in FY 2012.

As noted below in Diagram 4, service charges (which include revenues collected through the Village's police contract with the Township and water and sewer user fees) are the largest source of revenues for the Village.

Diagram 4 –Sources of Revenue for FY 2013

REVENUE HISTORY

As demonstrated below in Table 2, a number of these revenue sources have decreased between 2007 and 2012, including the total amount of taxes collected from Village residents and businesses and revenue sharing from the State of Michigan.

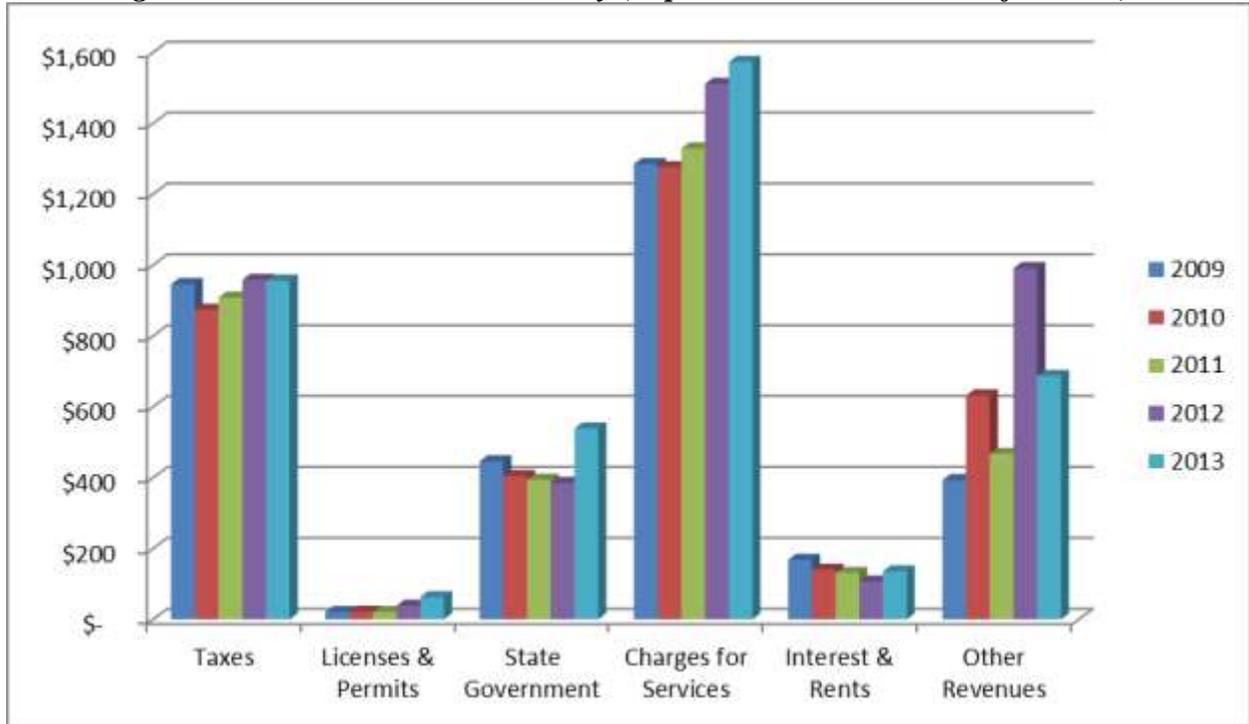
Table 2– Five (5) Year Revenue History (Represented in Thousands of Dollars)

	2009	2010	2011	2012	2013
Taxes	\$946	\$874	\$908	\$958	\$956
Licenses & Permits	21	22	21	39	63
State Government	446	405	394	385	539
Charges for Services	1,285	1,276	1,329	1,511	1,573
Interest & Rents	168	140	131	107	136
Other Revenues	393	632	467	991	687
Total	<u>\$2,866</u>	<u>\$3,349</u>	<u>\$3,250</u>	<u>\$3,991</u>	<u>\$3,954</u>

As Table 2 further demonstrates, the amount collected through interest and rent had decreased as the economic climate had diminished the returns available on such investments.

Diagram 5 offers a graphic illustration of the five year revenue history of Village revenues.

Diagram 5 – Five Year Revenue History (Represented in Thousands of Dollars)



REVENUE ON A PER CAPITA BASIS

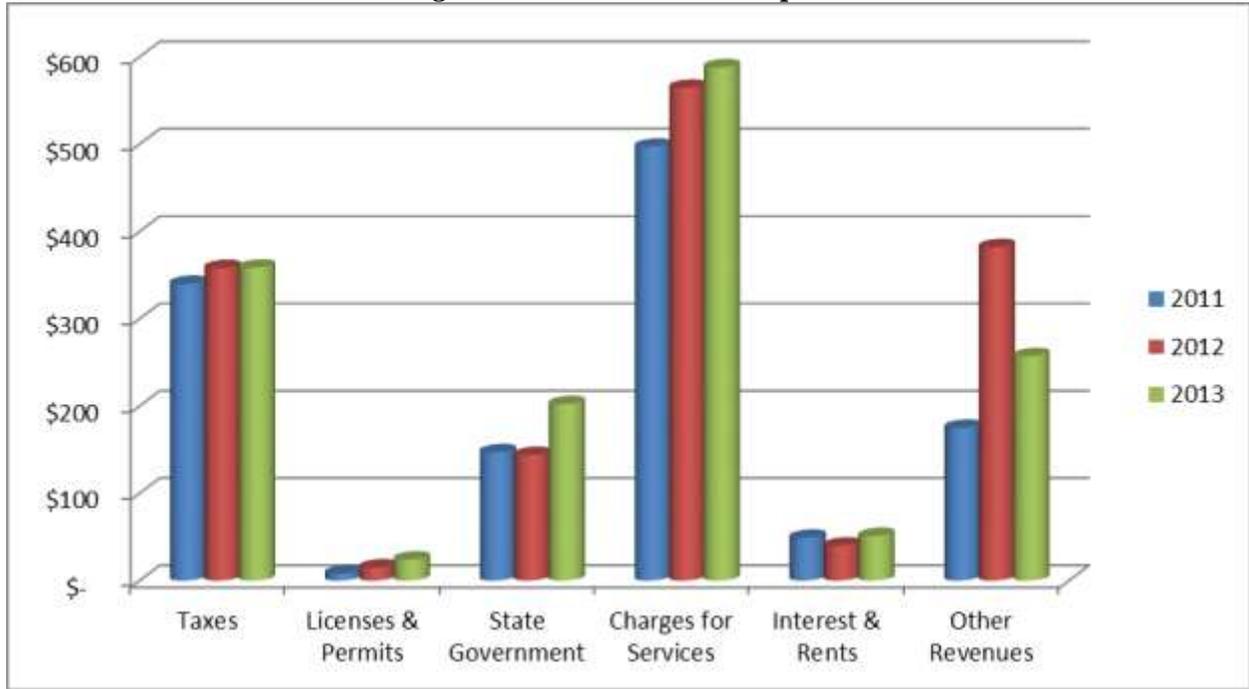
Table 3 analyzes these revenues on a per capita basis. Essentially, this table displays the amount of revenue collected for each specific income source for every individual living within the Village for FY 2011; FY 2012 and FY 2013 [note: these calculations use a population figure of 2,674, as included in 2010 Census data].

Table 3 – Revenues Collected Per Capita

<u>Revenue Source</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Taxes	\$339.57	\$358.26	\$357.52
Licenses/Permits	\$7.85	\$14.58	\$23.56
State Government	\$147.34	\$143.98	\$201.57
Service Charges	\$497.01	\$565.07	\$588.26
Interest/Penalties	\$48.99	\$40.01	\$50.86
Other Revenues	\$174.64	\$381.82	\$256.92

Diagram 6 below offers a graphic illustration of this information.

Diagram 6 – Revenues Per Capita



DIRECTION OF REVENUES INTO MUNICIPAL FUNDS

Upon collection, these revenues are directed toward several different funds which finance various and distinct functions of the Village government and in some cases are restricted for legislatively specified uses. Table 4 below displays each of these funds as well as relevant financial data pertaining to each fund:

***Table 4 – Financial Position of Each Fund
(Includes Governmental, Debt Service, and Enterprise Funds)***

Fund	Fund Balance (6/30/2013)	Audited Income	Audited Expenses	Primary Sources of Revenue
General	\$424,056	\$1,526,063	\$1,336,090	Property Taxes, Police Contract, Refuse Collection Fees
Major Streets	\$103,103	\$115,071	\$61,695	State Road Funding
Local Streets	\$172,038	\$95,682	\$78,541	State Road Funding
Water Tower Debt Service	\$46,674	\$124,906	\$121,873	Property Taxes
Water System Improvement Debt Service	\$30,559	\$87,803	\$86,465	Property Taxes
WWTP Improvement Debt Service	\$139,569	\$97,015	\$65,986	SSO Charges
Sewer Fund	\$221,324	\$553,072	\$635,352	User Fees
Water Fund	\$189,048	\$492,540	\$503,199	User Fees
Equipment Fund (Internal Service Fund)	\$266,034	\$111,219	\$126,683	Internal Service Charges

EXPENDITURES

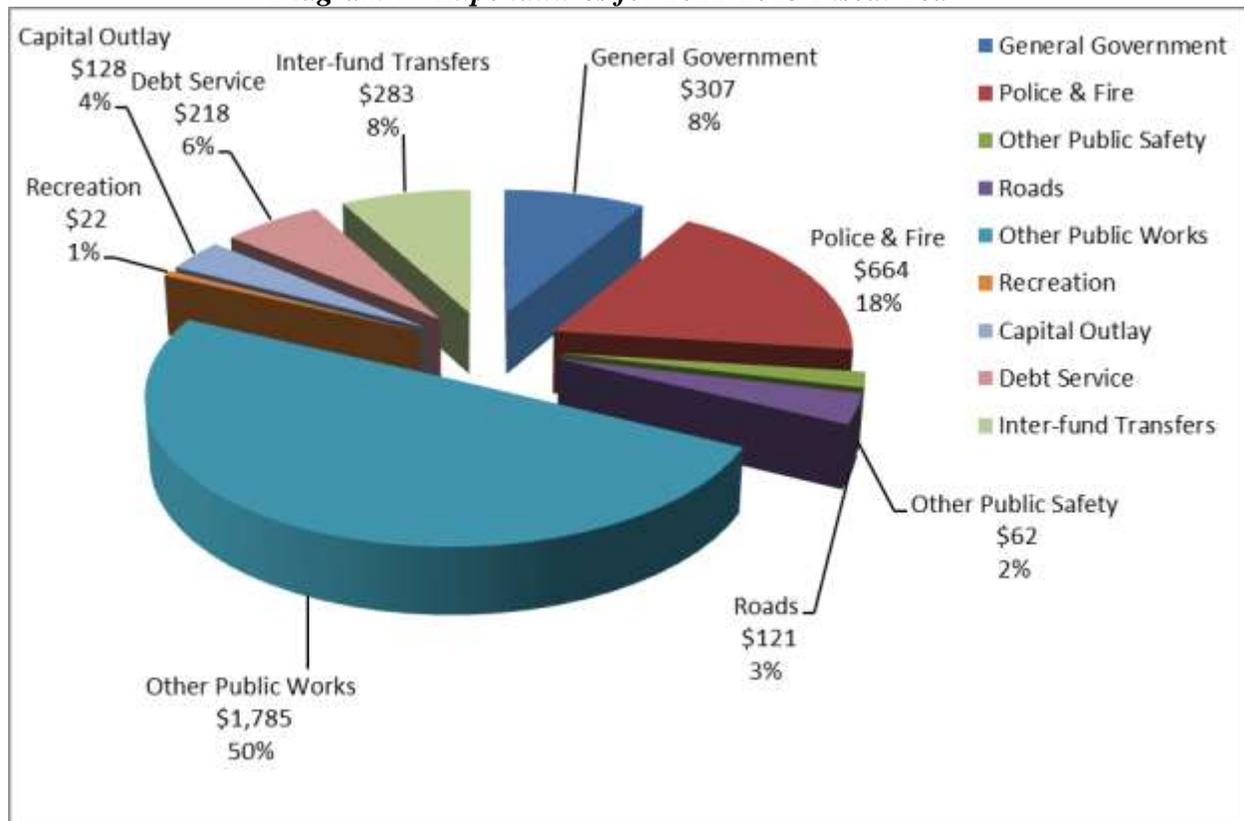
Revenues are collected in order to fund a wide variety of activities performed by the Village. A summary of these expenses is listed below in Table 5, which displays expenses incurred during FY 2010; FY 2011 and FY 2012.

Table 5 – Recent Expenditure History (Represented in Thousands of Dollars)

	2011	2012	2013	% Change Between FY 2012 & FY 2013
General Government	\$310	\$319	\$307	-3.90%
Police & Fire	763	737	664	-9.90%
Other Public Safety	42	41	62	49.70%
Roads	113	88	121	37.47%
Other Public Works	1,602	1,672	1,785	6.74%
Health & Welfare	-	235	-	-
Recreation & Culture	8	14	22	54.25%
Capital Outlay	121	235	128	-45.44%
Debt Service	248	256	218	-14.71%
Inter-fund Transfers	298	655	283	-56.78%
Total Expenditures	<u>\$3,505</u>	<u>\$4,252</u>	<u>\$3,590</u>	<u>-15.60%</u>

The increase in inter-fund transfers between FY 2011 and FY 2012 occurred due to the fact the Village used a significant portion of its waste water treatment plant fund residual balance to refinance the bond that financed the completion of these improvements [thereby saving the Village nearly \$70,000]. Diagram 7 offers a visual depiction of the expenses incurred by the Village during FY 2013 and offers an aid by which residents can judge the proportion of expenditures used for each governmental function.

Diagram 7 –Expenditures for 2012-2013 Fiscal Year



EXPENDITURE HISTORY

Table 6 below represents the expenditure history for the past 5 fiscal years. The total expenditures for FY 2012 are higher due to a major infrastructure projects conducted to strengthen the Village’s sanitary sewer system.

Table 6 – Five (5) Year Expenditure History (Represented in Thousands of Dollars)

	2009	2010	2011	2012	2013
General Government	\$340	\$283	\$310	\$319	\$307
Police & Fire	746	753	763	737	664
Other Public Safety	19	27	42	41	62
Roads	156	110	113	88	121
Other Public Works	1,619	1,632	1,602	1,672	1,785
Recreation & Culture	10	12	8	14	22
Capital Outlay	101	129	121	235	128
Debt Service	349	263	248	256	218
Inter-Fund Transfers	206	387	298	655	283

Diagram 8 below offers an alternative depiction of these expenditures.

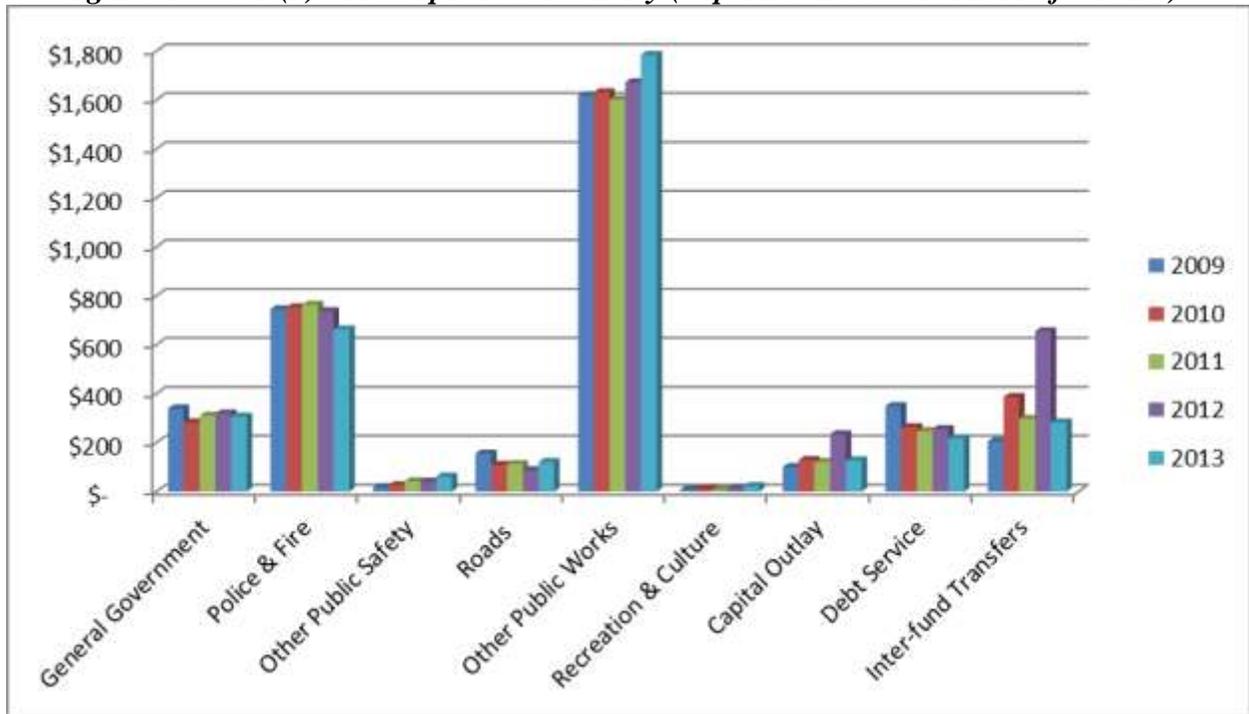
Diagram 8 – Five (5) Year Expenditure History (Represented in Thousands of Dollars)**EXPENDITURES ON A PER CAPITA BASIS**

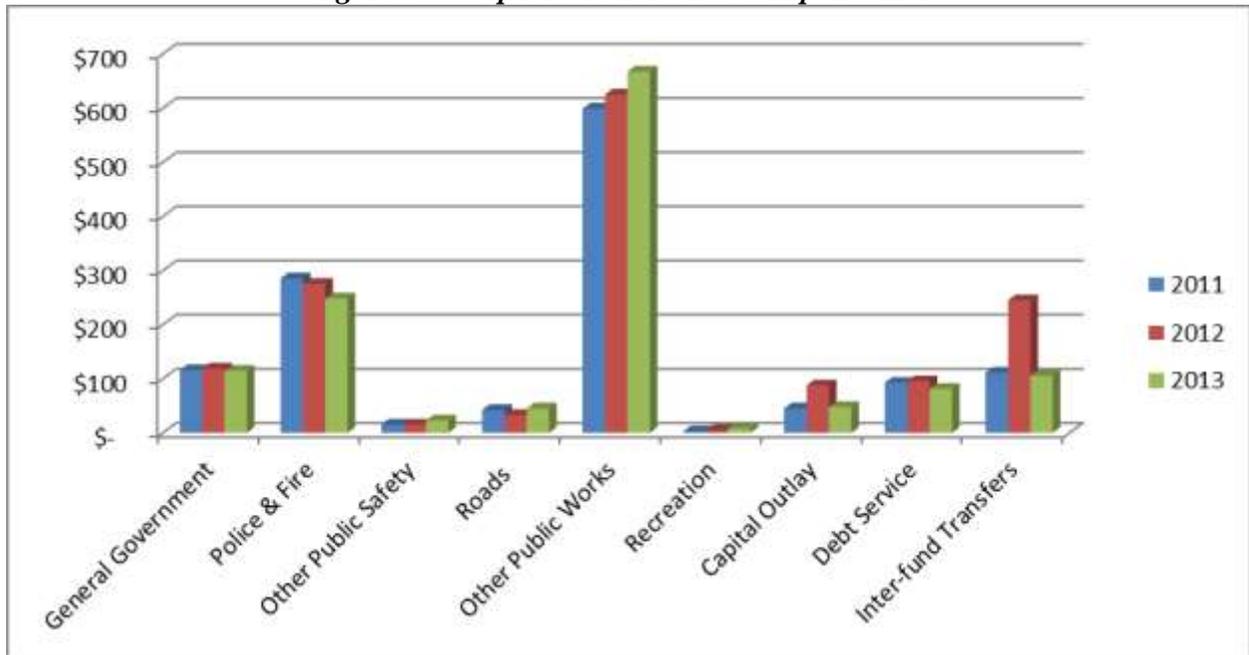
Table 7 analyzes these expenditures on a per capita basis. Essentially, this table displays the expenses incurred for each major operating category for every individual living within the Village for FY 2011; FY 2012; and FY 2013 [note: these calculations use a population figure of 2,674, as included in 2010 Census data].

Table 7 – Expenses Incurred Per Capita

Category	FY 2011	FY 2012	FY 2013
General Govt.	\$115.93	\$119.30	\$114.81
Police Protection	\$285.34	\$275.62	\$248.32
Other Public Safety	\$15.71	\$15.33	\$23.19
Roads	\$42.26	\$32.91	\$45.25
Other Public Works	\$599.10	\$625.28	\$667.54
Recreation/Culture	\$2.99	\$5.24	\$8.23
Capital Outlay	\$45.25	\$87.88	\$47.87
Debt Service	\$92.75	\$95.74	\$81.53
Inter-fund Transfers	\$111.44	\$244.95	\$105.83

Diagram 9 offers an alternative depiction of expenditures on a per capita basis for the Village of Almont.

Diagram 9 – Expenditures on a Per Capita Basis



TOTAL FUND BALANCES

Diagram 10 below illustrates the total revenues, expenditures and fund balances that existed at the end of each fiscal year between FY 2009 and FY 2013. As a note, the Village refunded/refinanced its WWTP bond during FY 2012 which reduced the overall fund balance by over \$350,000; absent the refinancing of this bond, the Village would have posted a net gain in its overall fund balance, across all governmental funds, of approximately \$200,000.

Diagram 10 – Revenues, Expenditures, and Fund Balances Between FY 2009 and FY 2013

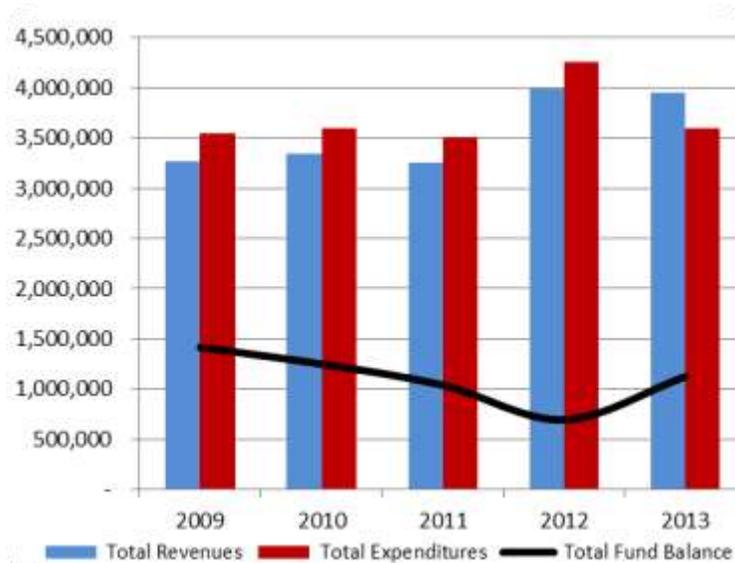


Table 8 below illustrates the year to year change in the overall fund balance as well as overall expenditures and revenues for FY 2012 and FY 2013.

Table 8 – Year to Year Change in Fund Balance

	<u>2012</u>	<u>2013</u>	<u>% Change</u>
Revenue	3,991,194	3,954,013	-0.9%
Expenditures	<u>4,253,669</u>	<u>3,590,092</u>	-15.6%
Surplus (shortfall)	<u>(262,475)</u>	<u>363,921</u>	
Fund Balance by Component:			
Reserved	9,228	721,671	
Designated	672,737	16,210	
Undesignated	<u>13,967</u>	<u>388,944</u>	
Total Fund Balance	<u>695,932</u>	<u>1,126,825</u>	61.9%

MERS PENSION FUNDING

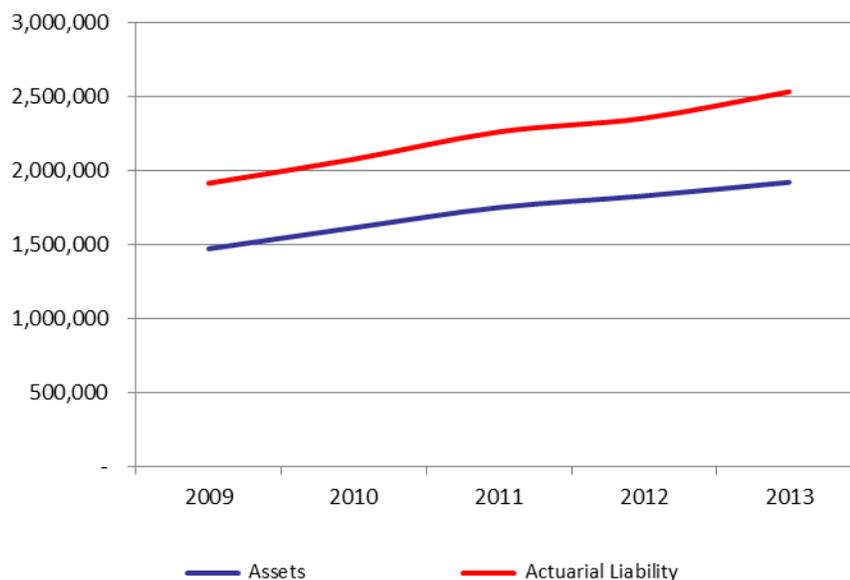
The Municipal Employee's Retirement System (MERS) maintains the Village's pension plans for its employees. Table 9 represents the comparative schedule of the actuarial accrued liabilities for the MERS-administered plan. As shown this plan is 75.8% funded (\$1,920,905) and 24.2% unfunded (\$612,214). These numbers are current as of 12/31/2013].

Table 9 – MERS Pension Plan (Represented in Thousands of Dollars)

Pensions						
Date of actuarial valuation:	12/09	12/10	12/11	12/12	12/13	
Assets	1,471	1,613	1,751	1,829	1,921	
Actuarial Liability	1,915	2,077	2,262	2,354	2,533	
Unfunded (Overfunded)	444	464	511	525	612	
Percent funded	77%	77.7%	77.4%	77.7%	75.8%	

Diagram 11 below offers a visual depiction of these liabilities and assets. The blue line denotes the entirety of the actuarial liability. The red line denotes the current valuation of assets. The space in between the two lines represents the unfunded liability.

Diagram 11 – Actuarial Accrued Liabilities (MERS-Administered)



OPEB (OTHER POST-EMPLOYMENT BENEFITS) FUNDING

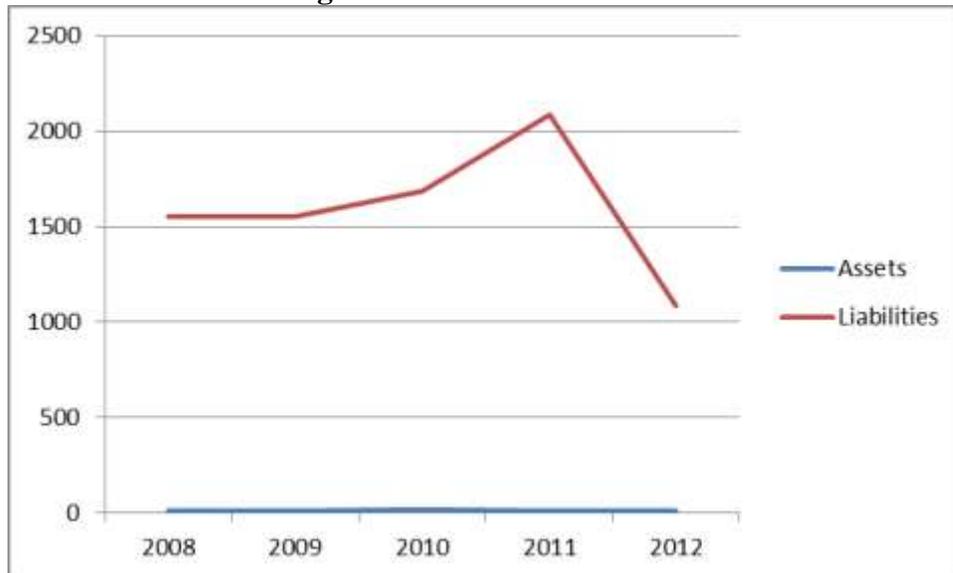
Certain Village employees who obtain 30 years of full-time service are eligible to receive certain retiree health care benefits. Currently, the Village is in the process of ascertaining how it can best plan for these expenses, particularly as a larger number of employees approach retirement age. At the present time, however, the Village has currently been funding retiree health care expenses out of its general fund, although the Village and its employees, through the collective bargaining process, did decrease the actuarial liability by an estimated minimum amount of \$998,000 or 47.89% (depending on which actuarial assumptions are used) in 2013.

Table 10 – OPEB Assets and Liabilities

OPEB (Other Post Employment Benefits)						
		<u>12/08</u>	<u>12/09</u>	<u>12/10</u>	<u>12/11</u>	<u>12/12</u>
	Assets	14	15	16	15	15
	Actuarial Liability	1,555	1,555	1,687	2,084	1,086
	Unfunded (Overfunded)	1,541	1,540	1,671	2,069	1,071
	Percent funded	1%	1%	1%	1%	1%

Diagram 12 below offers a visual depiction of these liabilities and assets. The red line denotes the present value of the OPEB obligations. The blue line denotes the current valuation of assets. The space in between the two lines represents the unfunded liability.

Diagram 12 – OPEB Evaluation



BONDED INDEBTEDNESS, CONTRACTS, AND LOANS OF THE VILLAGE

Due to the need for the Village to maintain high-quality services for its water and sewer operations and its need to invest in critical infrastructure and equipment, it is occasionally necessary to incur debt that must be repaid over an extended period of time.

Listed below in Table 11 are the general obligation bonds, contracts, and loans for which the Village is liable (as of 6/30/2014):

Table 11 – Current Bonds and Contracts of the Village of Almont

Bond/Contract	Year of Issuance	Year of Last Payment	Total Principal Outstanding	Total Interest Payable
Water Supply System Improvement Bond	1996	2015	\$165,000	\$10,050
Water Tower Project Bond	2007	2028	\$1,602,694	\$271,343
WWTP Improvement Project Bond	2002	2022	\$995,000	\$187,150
East. St. Clair Lift Station Upgrade	2011	2024	\$440,000	\$103,331
DDA Pocket Park Contract	2004	2014	\$18,715	\$712
Cherry St. Bridge Installment Contract	2011	2021	\$133,255	\$17,266
Dump Truck Loan	2011	2014	\$13,201	\$290
Police Vehicle Loan #1	2013	2017	\$21,943	\$818
Police Vehicle Loan #2	2013	2017	\$24,975	\$929
Vactor Truck Loan	2013	2020	\$119,436	\$13,711
Old Fire Hall Removal	2012	2014	\$41,014	\$1,040
Fiber Optic Equipment	2012	2017	\$18,033	\$456
DPW Truck	2014	2019	\$29,366	\$2,558
<u>Accumulated Totals</u>			<u>\$3,622,632</u>	<u>\$609,654</u>

In analyzing these long-term bonds and contracts, it should be noted that the per capita liability for the total principal outstanding on these bonds is approximately \$1,354.76. Table 12 below lists the 8 year history of the Village's bond and contract obligations.

Table 12 – Total Bond and Contract Obligations

Year	Total Obligations
2014	\$3,622,632
2013	\$3,716,418
2012	\$3,797,205
2011	\$3,837,694
2010	\$4,107,413
2009	\$4,351,456
2008	\$4,107,795
2007	\$2,665,684

From an investment standpoint, the Village of Almont has always faithfully honored its obligations to its bond holders and has issued full and timely payments.

DEBT BURDEN PER CAPITA

Table 13 below offers a more detailed examination of the annual debt burden per capita for 2007 – 2014.

Table 13 – Debt Burden per Capita

Year	Total Obligations
2014	\$1,354.76
2013	\$1,389.83
2012	\$1,420.05
2011	\$1,435.19
2010	\$1,536.05
2009	\$1,627.32
2008	\$1,536.20
2007	\$996.89

It should be noted that the large jump between 2007 and 2008 occurred due to the issuance of bonds to finance the construction of the Village's new water tower.

SOURCES AND REFERENCES

Village of Almont – Annual Audits (2006-2013) – Prepared by King & King C.P.A.s

U.S. Census Bureau