

*Dollars and Sense:
How Kinross Charter Township Spends Your Money*

2013 Citizen's Guide to Kinross Charter Township's Financial Health

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To the Citizens of Kinross Charter Township:

It is with pleasure that we present to you the annual Citizens Guide to Kinross Charter Township's Financial Health. The intent of this report is to provide you with our financial and operating information in a clear and user friendly manner. We hope this report is useful for you to better understand the township's financial condition. The information provided in this report is derived primarily from the Annual Financial Report and from Form F-65, the Annual Local Unit Fiscal Report. The financial information provided was independently audited by Lake Michigan CPA Services, and was prepared in accordance with generally accepted accounting principles. The township received an unqualified ("clean") opinion from our auditors, which is the highest form of financial assurance that an organization can receive from their audit firm. The township has sound financial reserves and practices prudent fiscal management. We welcome any feedback and suggestions regarding the information provided in this report.

Respectfully,

Sheila Gaines, Township Clerk

HOW GOVERNMENTS USE YOUR MONEY

Where Citizen Dollars Go:

Special assessments are used to pay to provide police services. User fees pay for the operation of the water, sewer, and garbage services, RV parks, and for a portion of the recreation center, golf course, and fairgrounds. Payments from insurance companies and patients finance a majority of the Ambulance Department. Rental income that we collect on leased buildings finances Property Management. Township-wide tax collections and sales tax revenue sharing from the State of Michigan pay for the cemetery, township hall, elections, other day-to-day operations, road repairs, and for portions of the fire department, ambulance department, recreation center, and fairgrounds.

Services That Governments Provide:

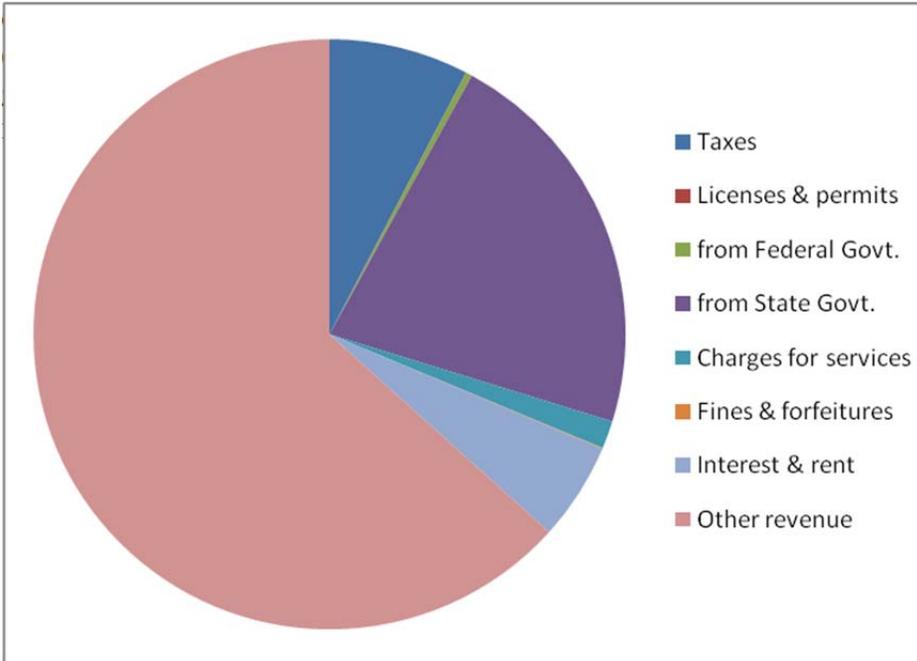
Kinross Charter Township, founded in 1899, is dedicated to offering services at low or no cost to the citizens. The township has full time EMS services 24 hours a day 7 days per week. In addition our EMS Department provides life saving intercept service to surrounding areas. Our fire department, with an extraordinary group of volunteers, and our police department are dedicated to preserving the safety of residents and visitors. Recreational opportunities include wildlife watching, hunting, fishing, golfing, swimming, groomed snowmobile trails, ORV trails, organized activities at the Recreation Center, and rustic and modern camping at our RV parks. The township provides elections, notary services, ordinance enforcement, spring cleanup, street sweeping, street lighting, and a newsletter at no cost to our citizens. Kinross Charter Township owns and maintains the fair grounds, the home of the Chippewa County Fair.

GOVERNMENT BUDGETS

CITIZENS' GUIDE TO LOCAL UNIT FINANCES - Kinross Charter Township - Revenues

Our revenues, after increasing by 4% from 2010 to 2011, dropped 6% from 2011 to 2012. Our General Fund revenues increased slightly from the previous year. The largest dollar losses in 2012 were in state revenue sharing and our ambulance run collections. Property tax collections were about the same, while income from interest and rents increased. In 2012 state revenues decreased for the fourth year in a row. Interest income and investment earnings increased by over 60%. The Legislature of the State of Michigan has eliminated the statutory portion of revenue sharing but they initiated a program that pays additional funds if the Township meets certain criteria. Kinross Charter Township satisfied all the requirements for fiscal year 2011-12 and received the maximum amount of supplemental revenue sharing. Our annual revenue sharing has dropped by almost \$200,000, or 31%, since 2001. Additional information on our revenues, broken down by category, is shown on the next page.

1. Where our money comes from (all governmental funds)



2. Revenue Comparison to the prior year

	<u>2011</u>	<u>2012</u>	<u>% change</u>
Taxes	\$ 184,017	\$ 184,429	0%
Licenses & permits	20	15	-25%
from Federal Govt.	-	-	-
from State Govt.	496,764	476,356	-4%
Charges for services	34,405	32,571	-5%
Fines & forfeitures	1,259	468	-63%
Interest & rent	141,324	177,244	25%
Other revenue	<u>1,592,375</u>	<u>1,439,131</u>	-10%
Total	<u>\$ 2,450,164</u>	<u>\$ 2,310,214</u>	-6%

CITIZENS' GUIDE TO LOCAL UNIT FINANCES – Kinross Charter Township – Expenditures

Total expenditures increased by 1% from 2011 to 2012, and combined with the decrease in revenues, resulted in a deficit for 2012. Outside of the spending on road improvements, however, the governmental funds actually saw a surplus of \$1,543. The deficit can then be traced to the Road Millage Fund, which can only be spent on road improvements. This follows a surplus in 2011. The largest dollar value changes in expenditures were a decrease in Capital Outlay spending, an increase in the spending of road millage money, and an increase in Ambulance Department expenditures. General Government also decreased by \$31,000, after a decrease of over \$70,000 in the previous year. A breakdown of expenditures is below.

1. Expenditures compared to the prior year

	<u>2012</u>	<u>2011</u>	<u>% change</u>
General government	\$ 386,749	\$ 418,193	-8%
Police & fire	327,432	311,639	5%
Roads	193,616	51,803	274%
Other public works	4,000	3,626	10%
Health & welfare	1,337,804	1,277,331	5%
Community & economic development	5,176	13,600	-62%
Recreation & culture	3,019	11,482	-74%
Capital outlay	3,458	121,585	-97%
Debt service	25,055	28,347	-12%
Unallocated fringes & insurance	73,655	66,889	10%
Interfund transfers (net)	90,520	113,631	-20%
Total expenditures	<u>\$2,450,484</u>	<u>\$2,418,126</u>	1%

Kinross Charter Township Employees

For the third year in a row, the number of employees working for the Township has dropped, averaging 72 per pay period. Of those 72 employees, 30 are full time, 19 are part time, with the rest being seasonal, elected officials, election workers, volunteer firemen, and appointed workers. The total annual wages paid has increased 5.6% over the last decade while inflation is 27.6% over that same time period. This reflects on the efforts that the Township has undertaken to contain costs and operate as efficiently as possible.

In 2011 the State Legislature passed measures to encourage municipalities in Michigan to reduce their costs for employee fringe benefits. One of the measures called for public employers to create either a hard cap for health insurance costs, or limit the employer share to 80% of the total health care cost. Kinross Charter Township chose the hard cap option. Another portion of the legislation recommends that new hires who are eligible for retirement plans are placed in a plan that limits annual employer contributions to 10% or less of base salary. The Township's plan already complies with this limitation as employer contributions are currently 5%.

Reserves and Fund Balances

Our total fund balance in our governmental funds (fund balance is resources that will be used to provide services in the future) increased each year from 2006 to 2009, and has generally trended downward since then. In 2012 there was \$26,030 of Nonspendable fund balance that will be used for prepaid expenses, while \$160,507 of the fund balance was committed for future building improvements. The total fund balance is 14% higher than it was in 2006. It is recommended that general-purpose governments maintain a minimum of about 17%, or two months, of their operating expenditures in their fund balance. In 2012 Kinross Charter Township had available fund balance in its governmental funds equal to 37% of total expenditures. Please see the table below and on the next page for more information.

1. Revenue and Expenditure comparison to the prior year

	<u>2012</u>	<u>2011</u>	<u>% change</u>
Revenue	2,310,214	2,450,164	-6%
Expenditures	<u>2,450,484</u>	<u>2,418,126</u>	1%
Surplus (shortfall)	(140,270)	32,038	-538%

2. Fund balance, by component

Nonspendable	26,030	27,919	-7%
Restricted	206,926	n/a	
Committed	160,507	164,507	-2%
Assigned/Unassigned	<u>836,061</u>	<u>1,178,384</u>	-29%
Total fund balance	1,229,524	1,370,810	-10%

Debt Levels

The Township's current long-term debt level is well below the legal maximum and leaves us well-positioned to address any future needs. As of March 31, 2012, the long-term liabilities of the Township were as follows:

Governmental activities:

Leases Payable	66,209
Compensated absences – Governmental activity	43,760

Governmental activity long-term liabilities	109,969

Business-type activities:

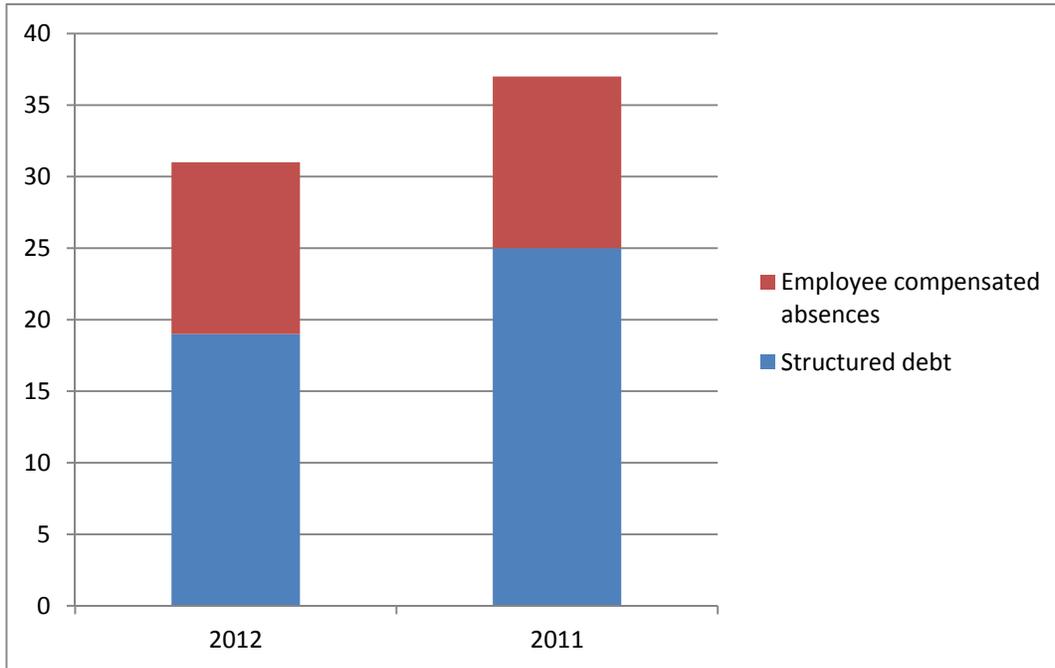
Bonds payable	104,000
Compensated absences – Business-type activity	61,442

Business-type activity long-term liabilities	165,442

Total Governmental and Business-type long-term liabilities 275,411

Compensated absences for Governmental activities and Business-type activities are not funded but are paid as incurred when an employee retires or terminates employment. A per capita debt level is shown in the chart below for Governmental activity liabilities.

Debt & other long term obligations per capita - compared to the prior year



Pension Benefits

The Township provides pension benefits for all of its elected officials and full time employees through a defined contribution plan. The Township's pension investments are held in trust by the investment fiduciary, John Hancock Life Insurance Company. The plan is funded at a rate of 5% of eligible compensation for full time employees and by a schedule for elected officials. It's available to employees after a period of 4 years, at which time they become vested. Employees may voluntarily contribute from 1-95% of their compensation into the plan. Since the plan is a defined contribution plan and not a defined benefit plan, the Township has no obligation beyond its annual contribution, calculated as described above. A certain level of benefit is not guaranteed by the plan but depends solely on amounts contributed to the plan plus investment earnings and forfeitures of other participants' benefits prior to vesting.

The Township does not currently offer retiree health care benefits.

Public budget gap and Budget deficit/surplus

Although the Township experienced a shortfall for 2012 of \$140,270 in its governmental funds, there was adequate surplus from prior years to offset it. The net budget surplus for 2006-2012 comes to \$236,949, which contributed to the Township's available fund balance in its governmental funds of 37% of expenditures. The current fund balance leaves the Township

well-positioned to cope with unforeseen events. After seeing shortfalls in two of the last three years, the Township has taken steps to turn this trend around. We are attempting to secure a long-term agreement with the Sault Tribe of Chippewa Indians to help finance the operations of the Recreation Center. We have also reorganized the manpower in the Township office to reduce operating expenses, and have received approval to levy an EMS millage in order to stabilize the finances of the Ambulance Department.

Data Sources

The primary source for the information in this report was derived from Kinross Charter Township's Form F-65 Annual Local Unit Fiscal Report, which is a report that all local municipalities are required to file with the State of Michigan. It is based on the audited financial statements of the Township. The audit report itself was also used as a source. Both of these source documents are available for public inspection at the Kinross Township Hall during normal business hours.