

---

# ***Dollars and Sense:***

## ***How The City Of Wakefield Spends Your Money***

---

### **2016 Citizen's Guide to The City of Wakefield's Financial Health**

Presented by  
Sherry Ravelli, City Treasurer

## 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.

*Welcome..... 1*

*How Governments Use Your Money..... 2*

    Where Citizen Dollars Go ..... 2

    Services That Governments Provide ..... 3

*How Taxpayer Money Is Spent:*

*Government Revenues and Expenditures ..... 4*

    Revenues ..... 4

    Expenditures ..... 5

    Number of Government Employees ..... 6

*Wakefield’s Fiscal Health ..... 7*

    Reserves and Major Fund Balances ..... 8

    Debt Levels ..... 9

    Pension and Other Retiree Benefits ..... 9

*How This Report Was Developed ..... 11*

    Data Sources and Notes ..... 11

## *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 June 2011 to our last Financial Statement on June 2015, to present this information in, hopefully, an easy to understand manner. Our audits are located on-line at the State of Michigan website.

We hope that after you read this report, you will understand the sources of revenue to operate the City, the services the City offers, and the cost of offering these services.

If you have questions about this report, stop by my office, or call and I will try and answer your questions. Also please call or stop by if you have any question about our audited Financial Statements. Our entire staff is here to serve our local taxpayers, and you are our first priority.

Sincerely,

Sherry Ravelli, Wakefield City Treasurer

## *How Governments Use Your Money*

---

### **WHERE CITIZEN DOLLARS GO**

In the United States, everyone earning an income, including citizens of Wakefield pay federal income taxes. Everyone in Michigan pays state sales tax on purchases and Michigan income tax on income earned. Michigan property owners, including citizens of Wakefield, pay property taxes. The City is a collecting agency for the property tax and we distribute the tax collected. The City of Wakefield has city operating taxes of 18.4867 mills currently, and also added 2 mills for Library operations in 2015. In the fiscal year ending June 30, 2015 the City collected \$1,056,596.00 which was paid out to Gogebic County, Wakefield Marenisco School District, the Gogebic Ontonagon Intermediate School District, and the State of Michigan, except for \$480,971.00 in operating taxes.

The \$ 480,971.00 in operating taxes is about \$ 260.00 per person living in the City of Wakefield according to the 2010 census (1851).

The amount Wakefield Citizens pay to both the state and federal governments is not all lost. The management of the City works very hard at bringing a share of the state and federal taxes you paid back to Wakefield. To help improve our infrastructure and our park systems, the City seeks both state and federal grants to help improve our streets, water and sewer systems and lines; and purchase needed fire department trucks and equipment. In June of 2014, the City was awarded a \$150,000.00 grant, with a 25% local match, from the Michigan natural Resources Trust Fund, for Eddy Park improvements to bathrooms, change rooms, and pier. This year, approximately half of the grant monies have been used for these improvements . Also, during the 2015 year the City received approximately \$86,000.00 in Section 19 grant funds for expenses related to the prior year severe winter damage to City water lines and infrastructure.

In the fiscal year ending June 30, 2015 we received state funding of almost \$600,000 in State Revenue Sharing and Act 51 street monies. This money paid by our local taxpayers, could have been spent in other areas of the state and the country, if not brought back to Wakefield.

The City of Wakefield also collects revenue from charges for services. Our water, sewer, and electric systems are enterprise (business self-supporting) funds, and the operating expenses are paid by the people using the service. In the fiscal year ending June 30, 2015 the water, sewer, and electric funds collected over \$2,220,000.00 for services. The City also collects fees for other services, such as garbage collection, cemetery services, camper park fees, and other miscellaneous services.

### **SERVICES THAT GOVERNMENTS PROVIDE**

The revenue described above goes to provide service to our citizens. We provide the services that all local governments are required by state law to provide such as elections, assessing and collecting taxes. Our assessor sets the value on all tax parcels in the City, the City provides for the Board of Review where citizens can protest their assessed value, and

keeps detailed assessing record for each parcel. The City is also mails tax bills, records taxes paid, balances tax records with the county at time of settlement, and provides tax information for the convenience of our taxpayers.

The City provides election services for federal, state, local and school elections. We train and pay our election workers, provide voting equipment, ballots, and a certified state election clerk to oversee the election process. All of this insures that your vote is counted on Election Day.

We also provide building permits and electrical permit applications. Upon request, the building inspector does inspections to insure that the resident housing is safe for occupancy. Our Code Enforcement Officer also works to keep the City healthy, clean, and orderly by enforcing City Ordinances.

The City provides other services that some local governmental municipalities are not required to provide. The City provides for fire protection by financing the Wakefield Volunteer Fire Department. The City pays firefighters a stipend for fires and training sessions and provides for expenses such as building maintenance and utilities, and equipment purchases and maintenance.

The City also provides public safety protection by sharing a contract with the City of Bessemer, for services from the Gogebic County Sheriff Department. Our contract provides for 40 hours per week of police protection.

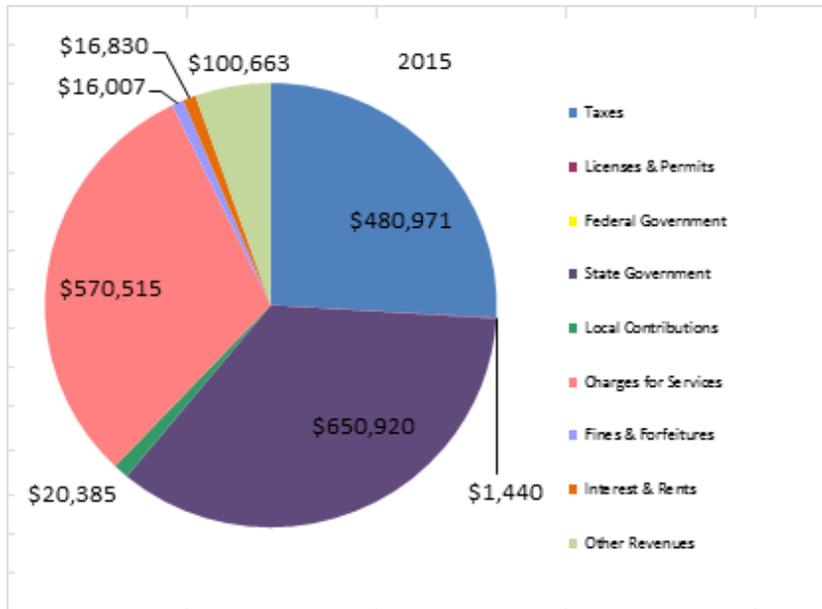
Our Department of Public Works takes care of our streets in both the winter and summer. They do all of the snow plowing and street maintenance in the City limits. Our Department of Public Works helps keep the City clean and maintains our park, cleans our streets and sidewalks, and maintains all public buildings.

The City provides water and sewer services for City residents, which some township residents also use. Our employees test the water samples, send out samples to a lab to ensure safe drinking water, and keep enough water available for emergencies, such as fires. We also test the water discharged from the wastewater treatment lagoon to insure our system is not damaging our environment.

Unlike most municipalities, the City has its own electric utility distribution system. The City purchases power on a wholesale basis at the City's substation, which is owned by the City, and distributes the power to the system.

The City has office hours Monday thru Friday from 8 a.m. to 4:30 p.m. If you have a problem with your tax bill, your utility bill, or any other problem the City may be able to help with, our office is open to help you solve your problem.

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



What are the major sources of revenue for the City of Wakefield? Only 26% of our total revenue comes from our local property tax.

The State of Michigan contributed 35% of the City revenue. This is 1% less than last year. For 2015, 57% of the state revenue received was Act 51 funds for maintaining our Major and Local streets. This amount is down approximately \$19,000.00 from last year. The City, as well as the State of Michigan look for ways to improve aging roads and infrastructure. 34% of state revenue is state-shared revenue intended for general government; in 2015 this amount was \$ 222,887.00. The City was able to continue receiving approximately \$79,000.00 in revenue sharing by participating in the State's Economic Vitality Incentive Program (EVIP), which this report is part of.

31% of the total revenue is for other services provided by the City, which includes garbage pickup services to our residents, cemetery maintenance, camper park fees, state road maintenance, and for administrative cost for services to other funds. This insures the City is spreading administrative cost among all funds, not just the General Fund, supported by tax dollars. The remaining 8% of revenue comes from a combination of fines, forfeitures, interest earned, equipment rental contributions from other funds, and from cooperative services with Wakefield Township. We provide services such as cemetery, park, library, fire department, and some street lighting for an annual fee.

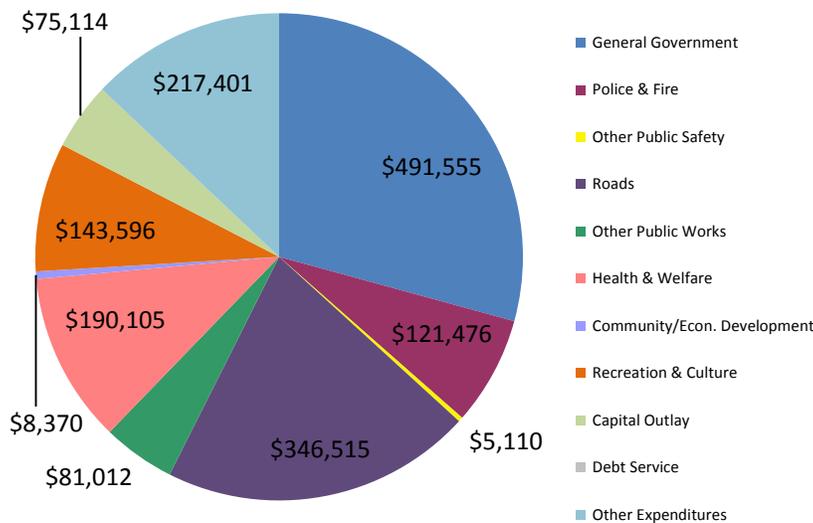
### Expenditures

How does the City spend your tax dollars? As you can see from the chart below, the largest percent of expenditures (29%) represent the cost of running the City government. These expenses include maintaining the City hall building, Council member expenses, employee salaries, and the City Auditor. Roads make up 21% of expenditures. This percentage is down 6% from last year as there were no major paving projects for the year. The City has implemented a State approved 5- year Asset Management Plan, which includes a prioritized schedule of roads to be paved in the City. Having this plan will allow the City to transfer more state monies to our Local Street Fund from our Major Street Fund to allow for maintenance and repairs to our streets.

Police and fire protection make up 7% of expenditures. The volunteer fire department serves our community well on a small budget. Costs for the department fluctuate depending on the number of fires in a given year. Police budget is kept down by a contract with the Gogebic County Sheriff Department which the City of Wakefield shares with the City of Bessemer. Health and Human Services, which includes garbage collection services, makes up 11% of expenses.

The remaining expenditures consist of 9% to recreation and culture which includes our local library, 5% for other public works – represents street lighting, Department of Public Works services. Other small expenses for building inspector and miscellaneous public expenses make up the remaining 18%.

City of Wakefield Expenditures 2015



## Total Expenditures

	2014	2015	Change
General Government	\$ 484,523	\$ 491,555	1.45%
Police & Fire	\$ 125,513	\$ 121,476	-3.22%
Other Public Safety	\$ 5,550	\$ 5,110	-7.93%
Roads	\$ 455,182	\$ 346,515	-23.87%
Other Public Works	\$ 126,368	\$ 81,012	-35.89%
Health & Welfare	\$ 191,436	\$ 190,105	-0.70%
Community/Econ. Development	\$ 5,942	\$ 8,370	40.86%
Recreation & Culture	\$ 151,212	\$ 143,596	-5.04%
Capital Outlay	\$ 18,554	\$ 75,114	304.84%
Debt Service	\$ -	\$ -	N/A
Other Expenditures	\$ 135,603	\$ 217,401	60.32%
<b>Total Expenditures</b>	<b>\$ 1,699,883</b>	<b>\$ 1,680,254</b>	<b>-1.15%</b>

As the above figures show, the total operating expenditures for City governmental funds remain fairly level from year to year.

### NUMBER OF GOVERNMENT EMPLOYEES

The City of Wakefield has 15 employees. This number includes full time and part time employees. The number of employees has slowly declined from 22 in 2008. As a cost saving measure the City has significantly reduced the summer youth program and now hires just a few summer workers.

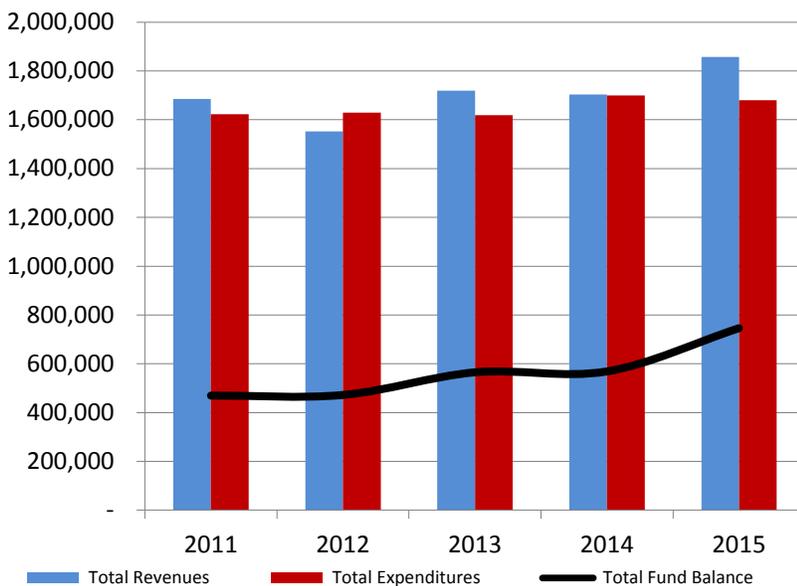
## RESERVES AND MAJOR FUND BALANCES

In order to spend at current levels, Michigan governments have:

1. Drawn down reserves
2. Borrowed money
3. Increased unfunded pension and other retirement liabilities

In recent years, governments and schools have drawn down their financial reserves or depleted their savings to support current spending levels.

The above are direct quotes from Governor Rick Snyder's *2011 Citizen's Guide to Michigan's Financial Health* (page 12-13). The City of Wakefield also has drawn down reserves to cover increasing expenses and declining revenues. As the following chart shows, City expenditures have matched or surpassed revenues in the past few years, but have improved in the last 2 years. For the major governmental funds as a group, the combined fund balance has been healthy – at \$745,642.00 for fiscal year end 2015. In 2015 the City improved its General Fund balance to a little over \$318,000.00. Although progress has been slow due to declining state revenue sharing, the City continues to improve its position.

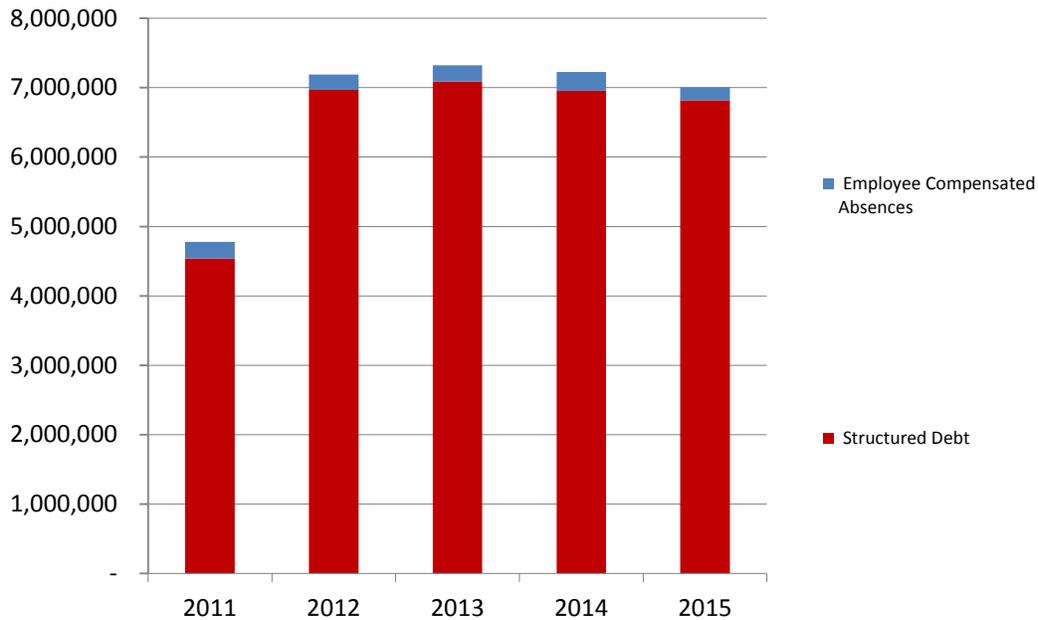


	2014	2015	Change
Revenues	\$ 1,703,589	\$ 1,857,731	9.05%
Expenditures	\$ 1,699,883	\$ 1,680,254	-1.15%
Surplus (Shortfall)	\$ 3,706	\$ 177,477	4688.91 %

Fund balance, by component:	2014	2015	Change
Nonspendable	\$ 53,400	\$ 45,094	-15.55%
Restricted	\$ 14,894	\$ 6,477	-56.51%
Committed	\$ -	\$ -	N/A
Assigned	\$ 338,084	\$ 407,892	20.65%
Unassigned	\$ 161,787	\$ 286,179	76.89%
Total Fund Balance	\$ 568,165	\$ 745,642	31.24%

## DEBT LEVELS

City of Wakefield Long-Term Debt, 2011-2015



The City of Wakefield's long term debt consists of Sewage Disposal System Revenue bonds issued in 2011 in the amount of \$7,012,000.00 at 2.5% for forty years to finance improvements to the sewage disposal system. The bonds are paid exclusively from revenues generated by the Sewer Disposal System Fund (through utility bills paid by residents who use the sewer system).

In 2011, the City entered into a lease agreement to finance the purchase of a backhoe. The lease balance as of June 2015 was \$15,097.00, with five annual payments of \$15,798 beginning in May 2012. Also, in December 2012, the City received a \$237,000.00 Rural Development loan to purchase a grader and a water utility truck.

The only other long term debt the City has is for employee compensated absences and retiree health care. As of June 30, 2015 the balance was \$188,297.00 which represents accumulated unpaid vacation, sick pay, and personal leave, and related fringe benefits in the City's government and proprietary funds.

The average per capita debt for the City of Wakefield is \$3,785.00 per person.

### *Pension and Other Retiree Benefits*

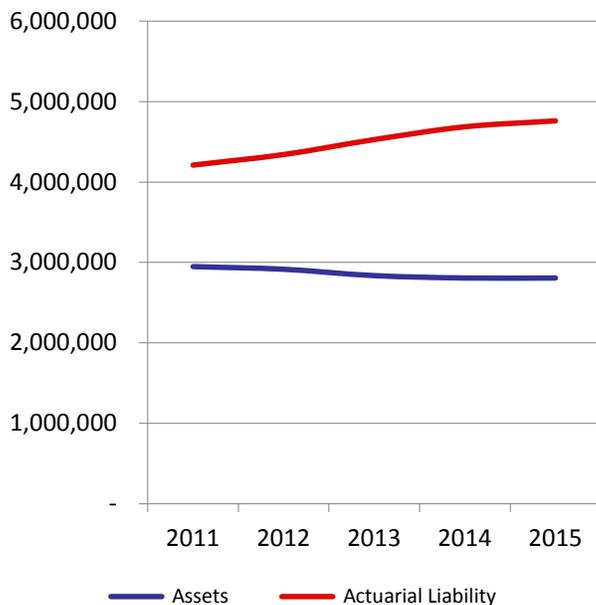
Similar to most Michigan public employees, the City of Wakefield employees who meet certain requirements such as years of service and age, receive a pension when they retire. They are also offered retiree health care until age 65. Starting in December 2013, new hires will not receive retiree health care coverage.

## Pension Benefits

The City of Wakefield has a defined benefit pension plan, which provides retirement, disability, and death benefits to plan members and their beneficiaries. The Plan is affiliated with Municipal Employee Retirement System of Michigan (MERS), an independent public corporation which oversees retirement funds for local governments across the state. The pension fund is prefunded by contributions from the City of Wakefield and the employees, who currently contribute approximately 5% of their salary. The City's contribution is determined each year by MERS, and is currently at 19.19% of covered payroll.

A quote from Governor Snyder's 2011 Citizen's Guide to Michigan's Financial Health states **"The combination of quickly rising benefits, poor market conditions, and stagnant or slowly rising contributions have make for a considerable shortfall in funding for future public sector pension obligations."**

The City of Wakefield's pension system has also been negatively impacted by similar circumstances. A decade ago, and for several years prior to that, the City's pension was funded at over 100%. In 2001 the MERS pension fund had assets of \$2,797,320.00 and liabilities of \$2,716,618.00. This resulted in a funding level of 103%. Since then, the funding level has steadily declined to the current level of 56% for 2015. Typical of most municipalities, the City's pension investments have declined in the past few years. The City also has a high ratio of retirees to active employees, currently 21 retirees to 13 active MERS employees. Another factor in the declining funding gap is the past practice of granting the retirees an annual cost of living adjustment. The COLA was financed rather than paid for at the time the cost was incurred. All of these factors have led to the funding gap as shown in the below chart for years 2011-2015.



## Retiree Health Care Benefits

The City of Wakefield offers retirees post-employment health care benefits until age 65. In an effort to contain costs, as of December 2013, the City no longer offers retiree health care coverage as a benefit to new employees. The benefits are not pre-funded, but are paid on a “pay-as-you-go” basis. There are 7 employees who use this benefit currently. The actuarial, completed June 30, 2013, shows that the City has no fund assets and unfunded liabilities of about \$372,294.00.

The City is actively working on solutions to these funding gaps, including having employees share in the cost of health care premiums and declining to approve COLA increases for retirees until the pension funding levels improve.

---

## *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 906-229-5131, Ext 1004.

## **DATA SOURCES AND NOTES**

All Financial Information for the City of Wakefield (except Employee Compensation)- City of Wakefield’s Audited Financial Statements 2011 to 2015.