

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

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2015 Citizen's Guide to  
City of Olivet Financial Health

Presented by  
Becky Palmer, 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***

Greetings from the Mayor  
Your City Officials

***How Governments Use Your Money***

Where Citizen Dollars Go  
Services That Governments Provide

***How Taxpayer Money Is Spent:  
Government Revenues and Expenditures***

Public Budget: Revenue & Expenditures  
Number of Government Employees  
Olivet Police Department  
Olivet Fire Department

***The City of Olivet's Fiscal Health***

Reserves and Major Fund Balances  
Debt Levels  
Pension and Other Retiree Benefits

***How This Report Was Developed***

Data Sources and Notes

## *Welcome*

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Greetings:

Welcome to the fourth issue of Olivet's Citizen's Guide to the Financial Health of the City of Olivet!

This guide is often referred as a Popular Annual Financial Report (PAFR). The goal of this report is to provide an accurate picture of City's government by providing the public citizens with as much information as possible on the revenues, expenditures, and other financial activities of the City of Olivet.

In addition to providing you with financial information, it is important to show you that Olivet makes a great place to live and work. It is also important to show you the role your city government is playing in your community.

The financial information found in this report is taken largely in part for the City's 2014 independent audited set of financial statements for fiscal year ending June 30, 2014 and are prepared in accordance with the generally accepted accounting principles.

It is my hope that citizens of Olivet find the information in the Citizens Guide of our community's financial health useful and easy to understand. Questions concerning this report may be directed to the City Treasurer, Becky Palmer at 269-749-4961 or [bpalmer@cityofolivet.org](mailto:bpalmer@cityofolivet.org).

Sincerely,

Gary L. Peterson, Mayor  
City of Olivet

## **THE CITY OF OLIVET ELECTED OFFICIALS**

Gary L. Peterson: Mayor

Larry Marsh: Mayor Pro-tem and Parks/Cemetery/City Hall Commissioner

Joe Barkley: Fire Commissioner

Joe Hoffdahl: Road Commissioner

Gale Knoll: Plant & Property Commissioner

Steve Penny: Police Commissioner

Paul Winter: Water/Sewer Commissioner

## **THE CITY OF OLIVET DEPARTMENT HEADS**

Becky Palmer, Clerk/Treasurer/Grand Administrator

Shawn Garcia, Chief of Police

Luke Willcutt, Interim Acting Director of Public Works

John Collins, Fire Chief

Shawn Garcia, Code Enforcement Officer

## **Council Meetings**

7:00 P.M. the second Monday of each month.

City Council Chambers

117 South Main

Olivet, MI 49076

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## **WHERE CITIZEN DOLLARS GO:**

The City of Olivet Charter establishes the maximum amount of millage that can be levied for the provision of all your city services. The Olivet City Charter provides for the levy of 15.0000 mills for funds used for traditional government services such as city hall, police, fire, parks & cemetery, and other general city functions/services. The City levies .5000 of those mills for local road improvements and .5000 mills for major road improvements. Olivet's water and sewer services, and any of their required improvements, are funded separately through rates charged to users of the city's water and sewer utilities.

City of Olivet voters approved a millage increase in November of 2010 which allows the city to levy the total of 15.0000 mills, before any reduction required by the Headlee Amendment, on the assessed value of all real and personal property for city services, programs, and public improvements. In 2014 the total of 15.0000 mills was levied and an average single family residence in the City of Olivet had an annual summer tax bill of \$555.11.

## **SERVICES THAT THE CITY OF OLIVET PROVIDES:**

As outlined above, tax revenue to the City of Olivet is used for part of the following services, including but not limited to:

- Police Protection
- Fire Protection
- City Hall Administration & Services
- Planning, zoning and code enforcement services
- Street Lighting
- Park improvements and maintenance
- Cemetery maintenance
- Public Street improvements and snow removal
- Brush and leaf pickup services
- Community Recycling service

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

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**CITY OF OLIVET BUDGET:**

As with most Michigan communities, the City of Olivet has faced a decline in its annual revenue base over the last several years.

While the City of Olivet's General Fund has remained somewhat consistent, the forecast for the fiscal year 2014-15 is for the revenue to remain close to the previous year. The annual funds we receive from the State of Michigan increased by 3.0% from last year. The remaining small increases we had in funding are from taxes, charges for service, local contributions, and licenses & permits.

The State Equalized Value or "assessed value" is estimated to be 50% of the true market value of a property. The State of Michigan has seen Equalized Values increased for the City of Olivet. This year there was a slight increase in the taxable value over the prior year.

The City of Olivet has worked to decrease its debt over the last several years. This debt is mainly due to "capital improvement" type projects. Since 1990 the City of Olivet has received \$3,783,668 in grant funding. These dollars were free to the City of Olivet and most of these projects required a local match as low as 10% of the cost of the entire project. Funding was used for projects such as the new Water Tower; the Church Street Bridge; new Patrol Cars & EMS Rescue Truck; Water Well and Sewer Lift Station Improvements; the new Municipal Building; and Street and Parking Lot Repaving and Downtown Infrastructure Improvements.

In order to have a balance budget for the fiscal year 2014-15, the Olivet City Council kept the General Fund expenditures close to the same dollar amount as the previous year. This was due to the Federal Revenue Sharing remaining the same, a slight increase in tax funding and an increase in costs for general operations. The City of Olivet has significantly reduced its budgeted expenditures over the last few years and is working hard to stay within the proposed budget we are given.

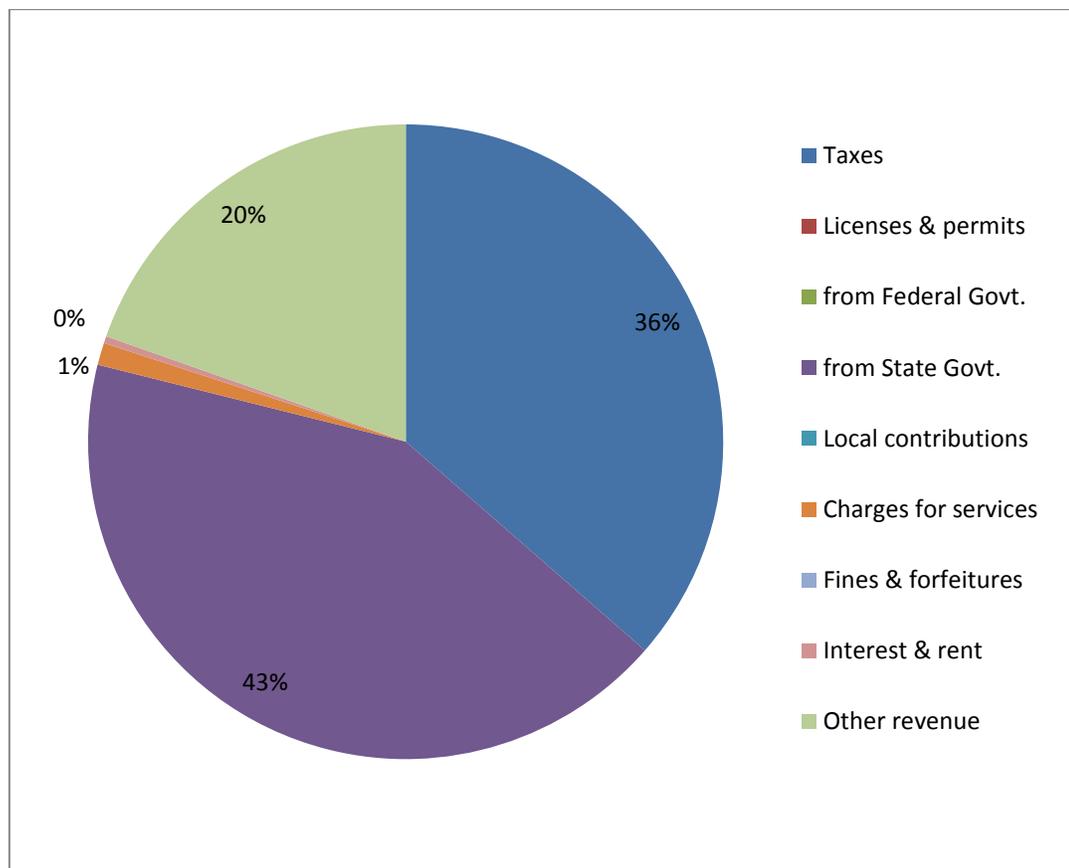
The chart on the following page is an accurate view of our revenue, expenditures, fund equity and debt that the City of Olivet has incurred in the last five years.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Stmnt. Of Rev &amp; Exp - All governmental funds</b>					
<b>Revenue</b>					
Taxes	225,829	238,015	251,961	245,337	247,370
Licenses & permits					
from Federal Govt.	425,111	265,302			
from State Govt.	279,605	276,047	282,818	273,728	288,644
Local contributions	3,463				
Charges for services	60,352	2,023	12,936	12,739	7,650
Fines & forfeitures					
Interest & rent	6,210	2,780	3,891	2,744	2,412
Other revenue	45,392	102,867	95,373	82,492	133,256
<b>Total Revenue</b>	<b>1,045,962</b>	<b>887,034</b>	<b>646,979</b>	<b>617,040</b>	<b>679,332</b>
<b>Expenditures</b>					
General government	82,542	175,064	146,952	158,650	205,286
Police & fire	214,512	194,477	187,274	202,177	218,234
Other public safety					
Roads					
Other public works	88,715	142,507	132,003	129,946	114,399
Health & welfare	11,853				
Community & economic development	4,489				
Recreation & culture	16,415	14,212	14,526	11,500	22,466
Capital outlay	504,762	330,330		12,727	69,104
Debt service	36,256	35,862	39,138	39,106	39,054
Unallocated fringes & insurance					
Net Interfund transfers	99,698				
Extraordinary/ Special items					
<b>Total Expenditures</b>	<b>1,059,242</b>	<b>892,452</b>	<b>519,893</b>	<b>554,106</b>	<b>668,543</b>
Surplus (shortfall)	(13,280)	(5,418)	127,086	62,934	10,789
<b>Financial position - All governmental funds</b>					
Undesignated fund balance	470,278	354,152	416,023	451,406	216,706
Designated		14,164	14,223	15,607	182,838
Reserved	292,520	293,394	367,872	404,039	498,397
<b>Total Fund Balance</b>	<b>762,798</b>	<b>661,710</b>	<b>798,118</b>	<b>871,052</b>	<b>897,941</b>
Calculated - Unreserved fund balance	470,278	368,316	430,246	467,013	399,544
<b>Debt:</b>					
Bonds & contracts payable	1,529,281	1,492,281	1,423,281	1,352,281	1,279,281
Capital leases	-	-	-	-	-
Other contractual debt					
Structured debt	1,529,281	1,492,281	1,423,281	1,352,281	1,279,281
<b>Total Long Term Debt</b>	<b>1,529,507</b>	<b>1,492,515</b>	<b>1,423,524</b>	<b>1,352,533</b>	<b>1,279,533</b>
<b>Population information</b>	<b>1,605</b>	<b>1,605</b>	<b>1,609</b>	<b>1,605</b>	<b>1,605</b>

## REVENUES:

The chart shows the sources of income for the City of Olivet and provides information to the source of all city revenues for fiscal year 2014. As shown, the largest share of city revenue was generated from other the State of Michigan and Property Taxes. Other revenue was received in the form of Grants, Fire Contracts, Police Fines, District Court Fees, Equipment Rentals, and Donations. The smallest amount of revenue comes from interest and rent.

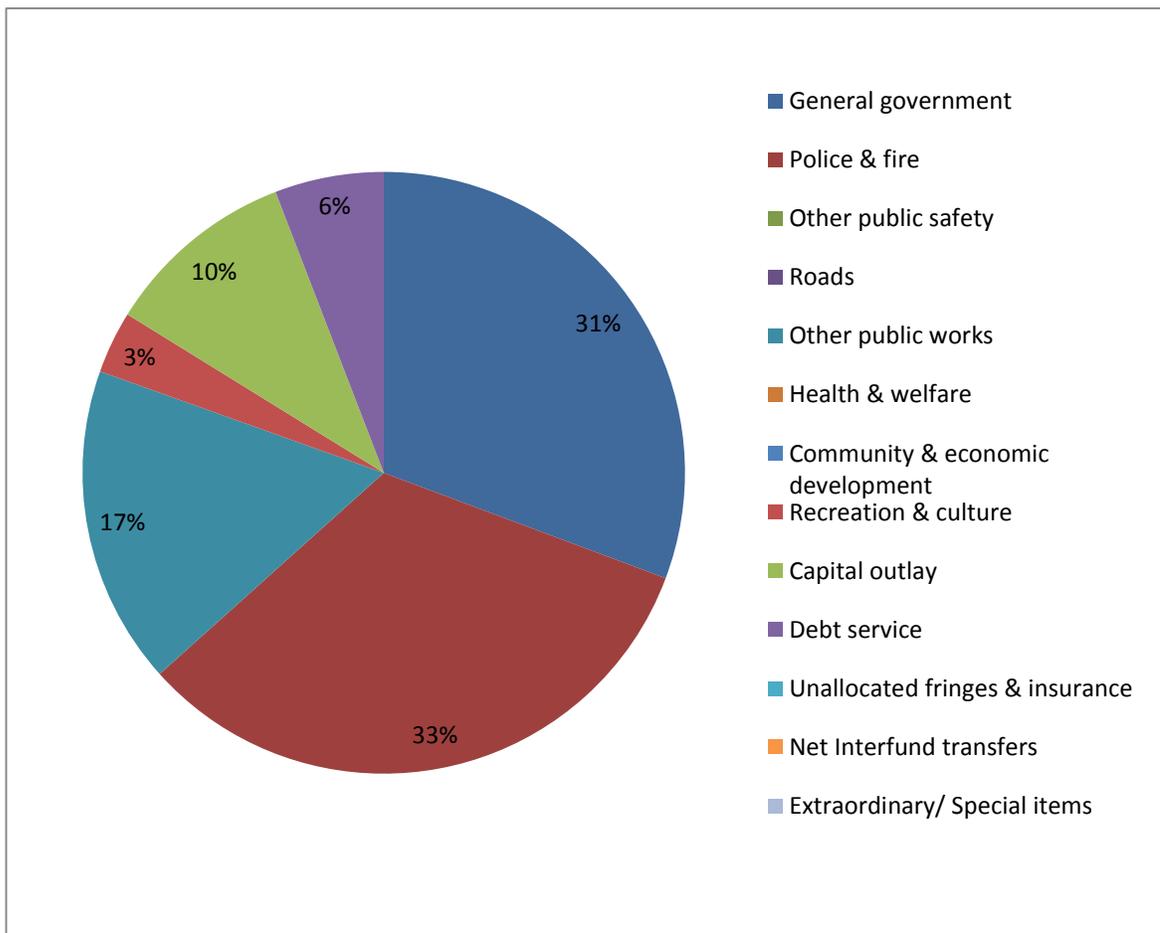
### WHERE YOUR MONEY COMES FROM



## EXPENDITURES:

The chart below identifies the distribution of city revenue by expenditures for each department. As you can see, the largest share of all city expense is related to the provision of Police and Fire Services, and the smallest amount of expense is with Community Development.

### WHERE WE SPEND YOUR MONEY

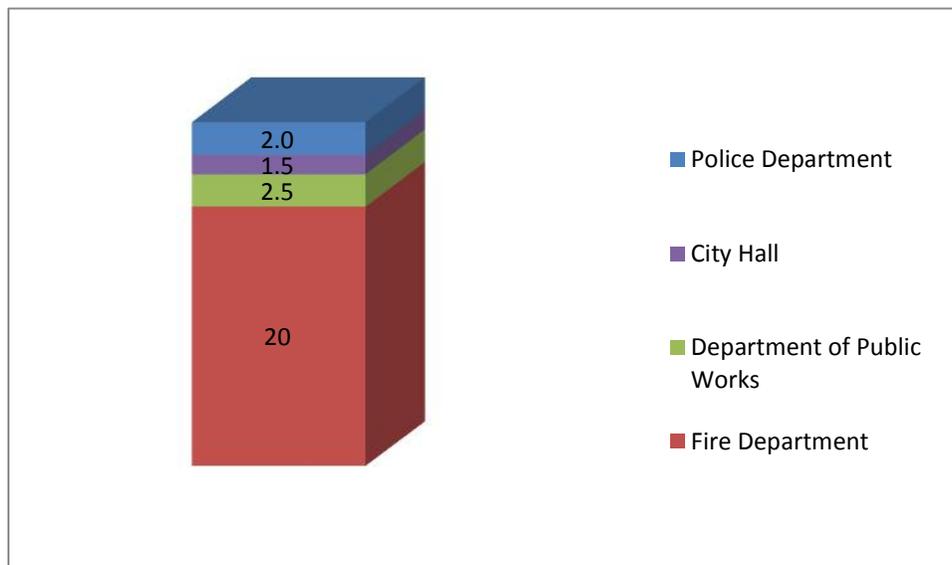


## NUMBER OF GOVERNMENT EMPLOYEES:

Between 2001 and 2014, the number of employees for the City of Olivet has remained fairly consistent with approximately 26.5 employees.

The “Regular Employees” consist of those employees who work daily on an average of 20 to 40 hours each week. While the City of Olivet has reduced the number of its “\*regular employees” slightly, the biggest reduction has been seen in the amount of hours each of the “regular employee” works. This primarily has to do with a reduction in General Fund Income.

Over the last ten years, the Olivet Fire Department has had a yearly average of 20.6 volunteer Fire Fighters and Medical First Responders on staff.



**CITY OF OLIVET EMPLOYEES FOR 2014**

\*"regular employee's" are those who are required to use the time clock and work 20-40 hours each week.

## Olivet Police Department:

The Olivet Police Department consists of three officers: the Chief of Police, one full-time officer, and one reserve officer. These dedicated officers spend many hours in mandatory training and certification classes, in addition to their normal duties, and work a total of 103 hours per week for the Olivet community. Though a 24-7 operation is not possible due to the lack of funding for the department, the Olivet Police Department does cover what is considered to be the most critical hours.

The police department responds to many citizen calls both civil and criminal each year, provides consistent security patrol and traffic enforcement, and preserves the peace and good order of the city through constant community contact. In addition to the above, the department also provides mutual aid to the Bellevue Police Department, and the Eaton County Sheriff's Department.

In 2014 the department generated, responded to, and assisted with 965 complaints total. This does not, however, include the many situations where an incident number was not required. Additionally in 2014, the police department issued a total of approximately 212 parking tickets.

### OLIVET POLICE DEPARTMENT 2014 Activity Report

<b>Calls reported to the Michigan State Police</b>	<b>Number</b>
Criminal Sexual Conduct	1
Robbery	0
Assaults	7
Burglary	2
Larceny	3
Property Damage	3
Motor Vehicle Theft	0
Retail Fraud	0
OWI/OUID	11
Other complaints: noise, traffic, warnings, reports, etc.	938
<b>Total Calls</b>	<b>965</b>

## THE OLIVET FIRE DEPARTMENT:

The Olivet Fire Department has approximately 20 volunteer fire fighters. These dedicated fire fighters all have other jobs and careers in or near our community. Each member of the fire department spends many hours in training and monthly drill sessions. The Olivet Fire Department covers 45 square miles in their fire service area that not only includes the City of Olivet but portions of Lee and Walton Townships. We also have a mutual aid agreement for other fire service areas if the need for additional equipment and manpower is necessary. The Olivet Fire Department sponsors the annual Fire Fighters Festival held the last Saturday in July.

### Olivet Fire Department 2014 Activity Report

<b>Types of Calls to Service:</b>	<b>Number</b>	<b>Location Area:</b>	<b>Number</b>
EMS	167	Walton Township	89
Service Calls	0	Lee Township	35
Good Intent	20	Olivet College	33
Hazard Condition	32	City of Olivet	95
Mutual Aid	16	Mutual Aid	17
Structure Fire	5		
Vehicle Fire	2		
Vegetation Fire	6		
Rescue/Vehicle Accident	19		
Other	2		
<b>Total Calls</b>	<b>269</b>	<b>Total</b>	<b>269</b>

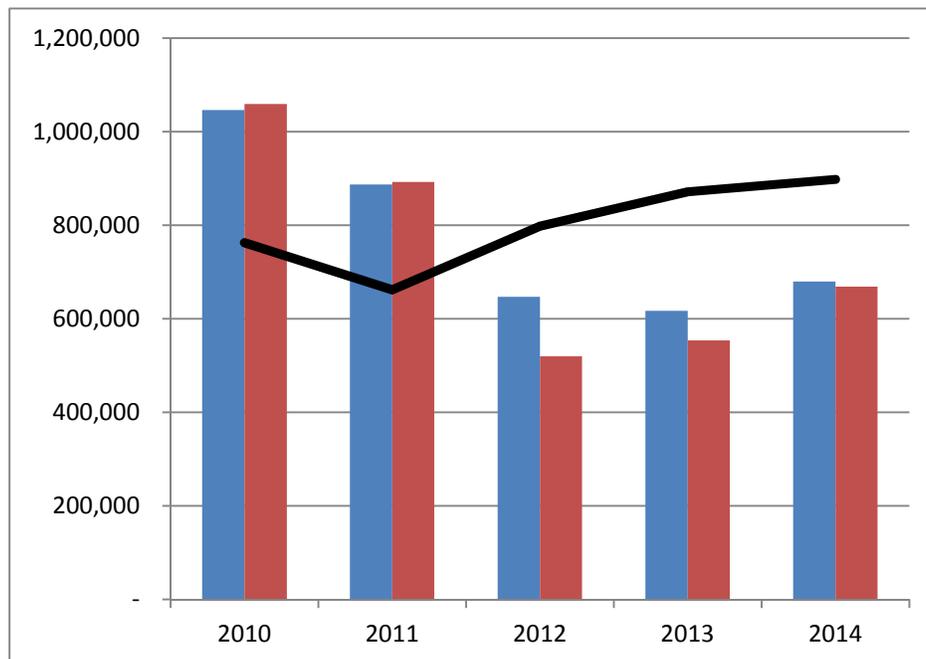
## RESERVES AND MAJOR FUND BALANCES:

As a positive fund balance can be thought of as extra money or reserve cash, the “Fund Balance” entry on a local government’s annual audit report is not always the same as funds “available for expenditures”.

As you can see by the chart below, the City of Olivet has slowly found it necessary to “dip” into the fund equity over the last few years. This is partially due to the City of Olivet merging the Plant & Property Fund into the city’s General Fund expenditures, a reduction in the General Fund income, and major “capital improvement” grant projects.

It is recommended that a municipality have at least 10% of its funds held in reserve. The City of Olivet has a total Fund Balance of 3% of its total expenditures. This is due to capital improvement projects over the last several years.

### CITY OF OLIVET



Revenue Expenditures Fund Balance

## DEBT LEVELS:

The State of Michigan Bond Act provides that the statutory debt limit of net bonded indebtedness incurred for all public purposes shall not, at any one time, exceed 10% of the State Equalized Value of the taxable property in the City, except that this limit may be exceeded by 3/8 of one (1%) percent in the case of fire, flood, or other calamity.

The City of Olivet has five bonds that have been issued since 1992. The following is a breakdown of the total cost of the capital improvement project, and the grant dollars received to help offset the total cost for them:

<b>Project Name</b>	<b>Total Project Cost</b>	<b>Grant Dollars Received</b>
Sewer Lagoon Project (1992)	\$2,040,000.	\$550,000.
Water Tower (2003)	\$810,000.	\$300,000.
College Street Bridge (2005)	\$798,437.	\$435,000.
EMS/Fire Truck (2006)	\$172,380.	\$72,000.
Municipal Building (2008)	\$261,000.	\$61,000.

One of the most financial challenges the City of Olivet has is the level of debt incurred in the past 20 years that has materialized with the construction of “capital improvement” type projects or infrastructure type projects that were necessary to serve our local community. Our sewer lagoon project was completed due to major repairs of a 30 year old sewer system. The water tower project was completed due to an undersized and leaking water tank. The bridge project provided a much needed second access for our community. Other bond indebted improvements were completed to better serve the citizens of Olivet. The City of Olivet has nearly capped anticipated debt service obligations.

The following chart provides the level of debt in the City of Olivet. As shown, the City of Olivet shows a slight decrease in our debt obligation.

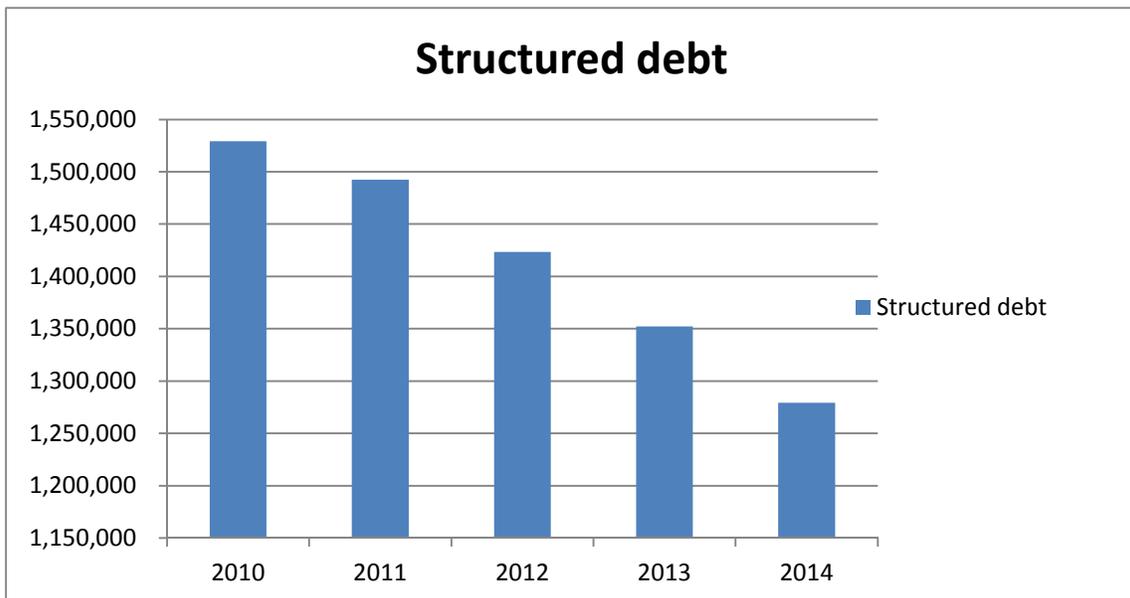
**CITY OF OLIVET**  
**Legal Debt Margin for Fiscal Year Ending 2014**

<b>City of Olivet Taxable Value</b>	<b>\$15,794,426</b>
<b>Debt Limit (10% of Taxable Value)</b>	<b>\$157,944</b>

**City of Olivet Applicable Debt:**

Act 51 Road Bond	\$15,271
EMS/Fire Truck Bond	\$11,890
Municipal Building Bond	\$11,802
Sewer Bond (non General Fund)	\$62,103
Water Bond (non General Fund)	\$29,481

<b>Total Debt Applicable to Limit</b>	<b><u>\$130,547</u></b>
<b>Legal Debt Margin</b>	<b>\$ 27,397</b>



## PENSION AND OTHER RETIREE BENEFITS:

The City of Olivet has no other post-employment benefits other than its Simplified Employee Pension (SEP) – Individual Retirement Annuity (IRA) plan.

In the mid 1990's the City of Olivet moved all of the “\*regular employee's” from a traditional defined retirement benefit plan to a Simplified Employee Pension (SEP) – Individual Retirement Annuity (IRA). It is managed by Auto-Owners Insurance Company. As a result of this change, each “regular employee” basically owns their retirement plan. You must be employed by the City of Olivet for a period of one year before you can participate in the City's pension plan. Prior to May 2012 the City of Olivet placed 4% of each employee's gross wage into the pension plan on a quarterly basis. On May 1, 2012 the City met the new State of Michigan requirements for “Public Employee's” and placed 3% of each employee's base wage into the pension. This new change does not include any overtime that the employee works. Each employee has the option to have a weekly or monthly payroll deduction on any amount of money they choose placed into their SEP-IRA. This money is also placed into each employee's SEP-IRA on a quarterly basis. Upon leaving employment with the City, the SEP-IRA pension belongs to the employee and the City of Olivet no longer makes contributions to the plan. The City of Olivet does not have any additional pension or retirement benefit plan available for its employees.

The City of Olivet carries an Accidental Death & Dismemberment Benefit Policy as well as a Short-term Disability Policy for all the “regular” employees of the city with Provident Insurance Company. The City carries a separate policy covering Accidental Death & Dismemberment and Short-term Disability for our Police and Fire Fighters with Provident Insurance Company this policy pays a higher dividend to those individuals. Upon leaving employment with the City, the policy for that employee is closed.

The City of Olivet offers a health insurance program with Blue Care Network for all “full time” employees. The City of Olivet adopted the “Hard Cap” policy as its medical benefit plan. This means that the City **may not** pay more than the annual cost allocated by the State of Michigan each year. Each employee that participates in the health care plan is required to pay the amount over the allocated cost of the insurance. This amount is deducted weekly from the participating employees check. In meeting the new State of Michigan requirements for “Public Employee's”, each participating employee will be required to pay a portion of their health care cost. Upon leaving employment with the City of Olivet, the policy for that employee is closed.

Only full-time employees are eligible for paid vacation. Vacation is earned from the first day of full-time employment. Vacation time that is earned but not used by the employee's anniversary date is paid.

Full-time employees are entitled to five paid sick days per year. Employees may bank sick hours each year to a total of thirty (30) days. Compensation will be given for any additional hours after thirty (30) days at the end of their anniversary date. Upon termination, any unused sick days will be paid.

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\*“regular employees” are those who are required to use the time clock and work 20-40 hours each week.

## *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. The information provided, comes from the City of Olivet general fund accounts and other sources, the City's Comprehensive Annual Audit for each year was also used. The financial information is in accordance with the State of Michigan's 2014 Citizen's Guide to Michigan's Financial Health and has not been reviewed by the auditor for the City of Olivet.

### **DATA SOURCES AND NOTES**

Fiscal Year Audits from 2010 to 2014  
2014 Comprehensive Annual Financial Report  
2014 Financial Statement Audit Presentation