

Dollars and Sense:
How Village of Pigeon Spends Your Money

2011 Citizen's Guide to
the Village of Pigeon's Financial Health

Presented by
Steven Corrion

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.

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Welcome

Greetings,

All village residents have a vested interest in the economic future of the village. We all need to be kept up to speed to where the money is going. This report is intended to provide all residents with an assessment of the financial health of the village. Please take the time to review this report and if you have any questions feel free to contact the village office.

Sincerely,
Steven Corrion

How Governments Use Your Money

WHERE CITIZEN DOLLARS GO

The village levied 18.49630 mills in 2010. 12.26650 mills was for the operation of the General Fund which includes the Governing Body (Council), the Clerks Office, the Treasurer, Elections, Building & Grounds, Public Safety, Department of Public Works and Debt Service. 1.00000 mill was for Local Street Repair and Maintenance which includes Surface Repairs, Storm Sewer Repairs, Sweeping, Tree & Leaf Removal, Sidewalk Replacement and Snow Removal. The Local Streets are also funded by two other sources State Gas & Weight Tax and a County millage. 1.49980 mills was for debt retirement of the Water Bond to connect to the City of Caseville. 3.73000 mills was for debt retirement of the Storm Sewer Project done in 2005 in the Park, Paul, North Main and Charles St areas. This was a voted millage.

SERVICES THAT GOVERNMENTS PROVIDE

Where does the money go? In general, the village collects money in the form of taxes and fees and use it to coordinate delivery of public services including, but not limited to: Law enforcement, Infrastructure (streets and storm sewers), Resource protection and Planning, Zoning, and economic development.

How Taxpayer Money is Spent: Government Revenues and Expenditures

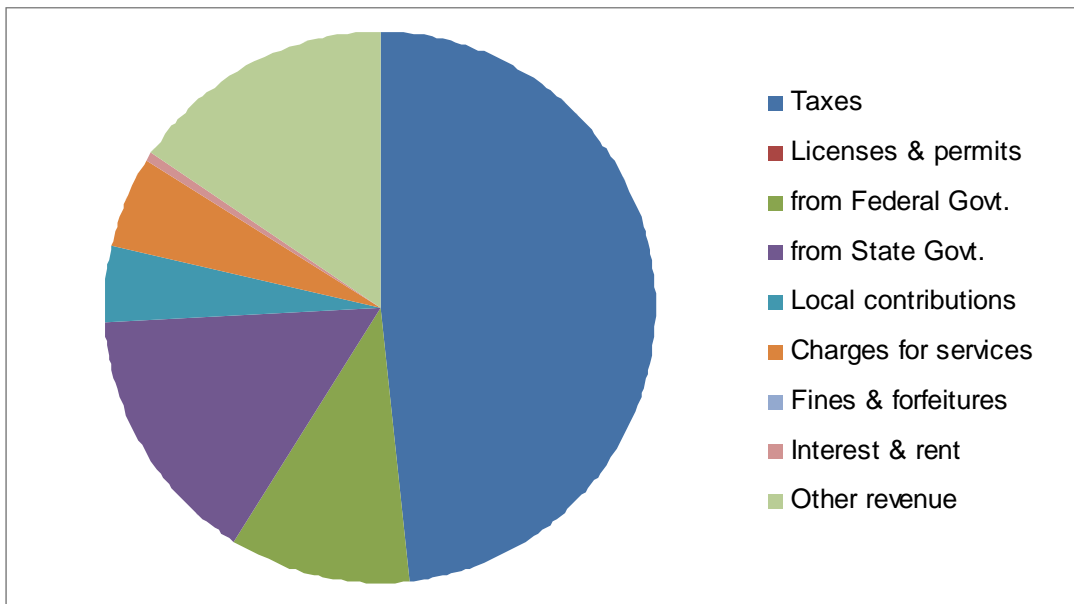
GOVERNMENT BUDGETS

Budget Comparison to prior year

	2009	2010	%Change
Taxes	\$638,416	\$645,392	1%
Licenses & permits	600	275	-54%
from Federal Govt.	865,966	138,317	-84%
from State Govt.	227,297	205,189	-10%
Local Contributions	-	60,579	n/a
Charges for services	60,099	68,357	14%
Fines & forfeitures	1,577	1,662	0
Interest & rent	237	5,719	23
Other revenue	211,522	208,423	-1%
Total	\$2,005,714	\$1,333,913	-33%

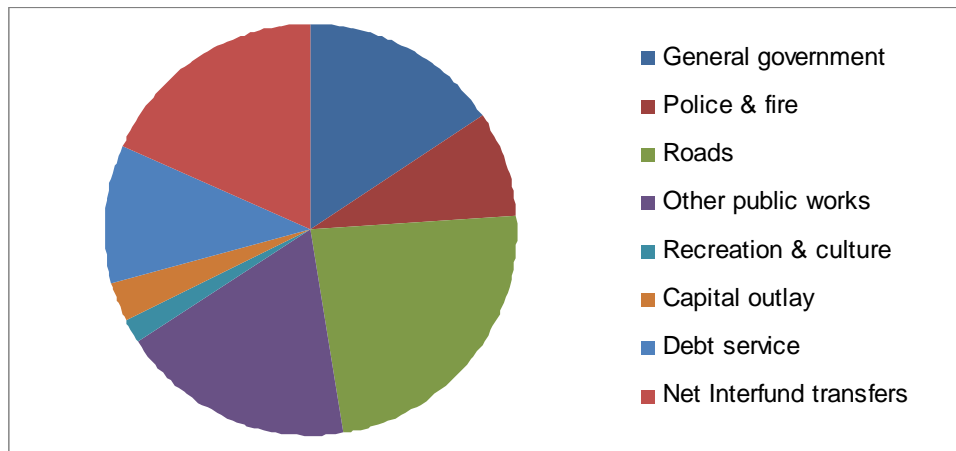
Revenues.

Where our money comes from (all government funds)



Expenditures.

Where we spend our money (all government funds)



NUMBER OF GOVERNMENT EMPLOYEES

The Village of Pigeon employs 5 full time (classified) employees. 1 in the Office, 1 in Public Safety and 3 in the DPW (Department of Public Works). Since 2000 the village created a part time (unclassified) office position and cut the Public Safety from 2 full time to 1. Public Safety does employ 5 officers on a part time (unclassified) basis to cover night and weekend shifts.

DIFFERENCE IN PUBLIC AND PRIVATE SECTOR COMPENSATION

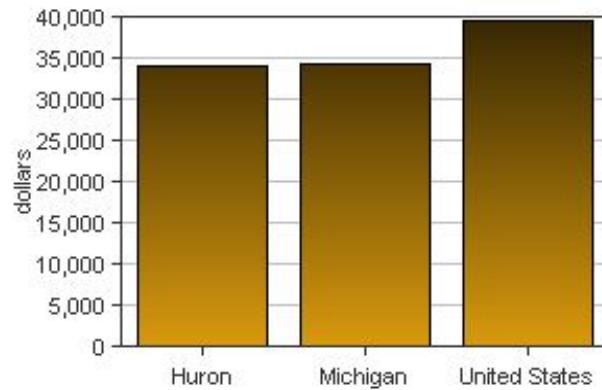
Real (inflation-adjusted) compensation of state and local government employees (including salary, wages, and benefits) has increased during the last 10 years while real private sector compensation has declined. Between 2000 and 2009, compensation of the average private sector worker fell 4% while it increased 19% for state government employees and 13% for local government employees (local government employees includes teachers and other employees of school districts).

(this information is from Governor Rick Snyder's 2011 Citizen's Guide to Michigan's Financial Health)

PER CAPITA PERSONAL INCOME

In 2009 Huron County had a per capita personal income (PCPI) of \$34,242. This PCPI ranked 13th in the state and was 100 percent of the state average, \$34,315, and 86 percent of the national average, \$39,635. The 2009 PCPI reflected a decrease of 7.2 percent from 2008. The 2008-2009 state change was -2.8 percent and the national change was -2.6 percent. In 1999 the PCPI of Huron was \$24,570 and ranked 25th in the state. The 1999-2009 average annual growth rate of PCPI was 3.4 percent. The average annual growth rate for the state was 2.1 percent and for the nation was 3.4 percent.

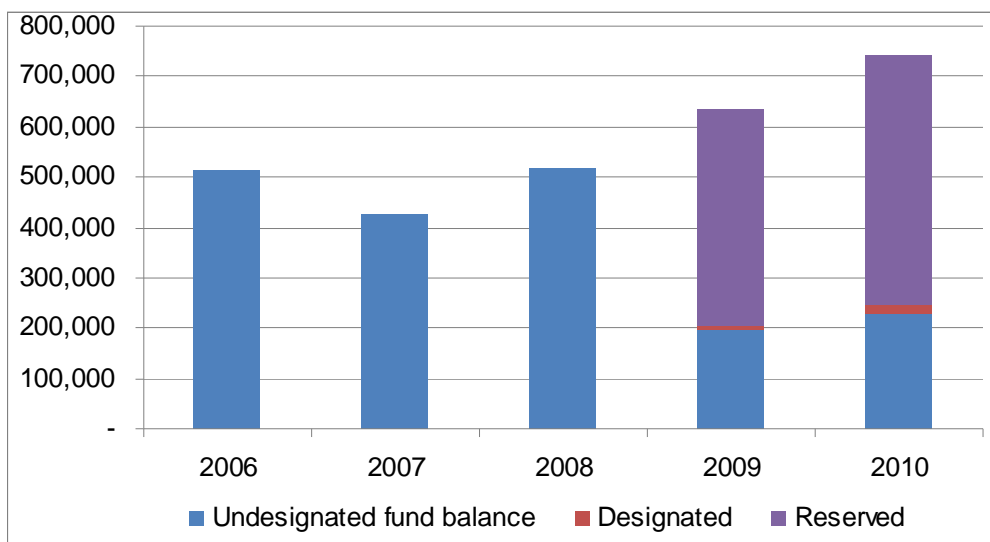
Per Capita Personal Income, 2009



(Local government employees and compensation are from the U.S. Bureau of Economic Analysis Regional Economic Information System data for 2009 and from Governor Rick Snyder's 2011 Citizen's Guide to Michigan's Financial Health)

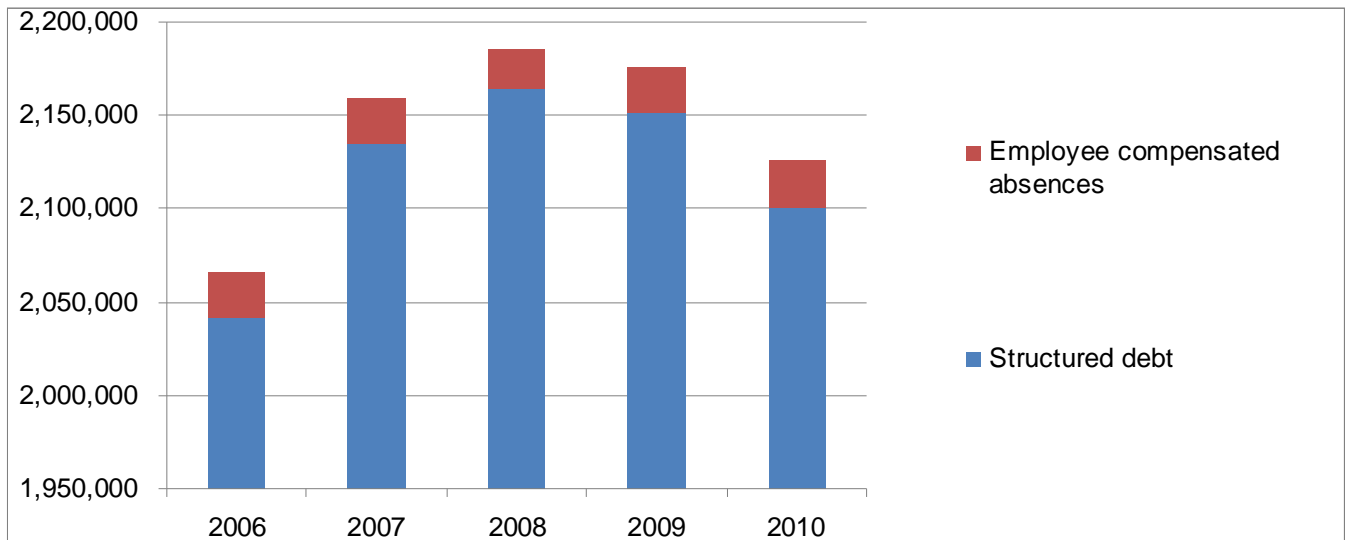
RESERVES AND MAJOR FUND BALANCES

Since the mid 2000's the village has made steps to increase the fund balance from the lows for the early 2000's.



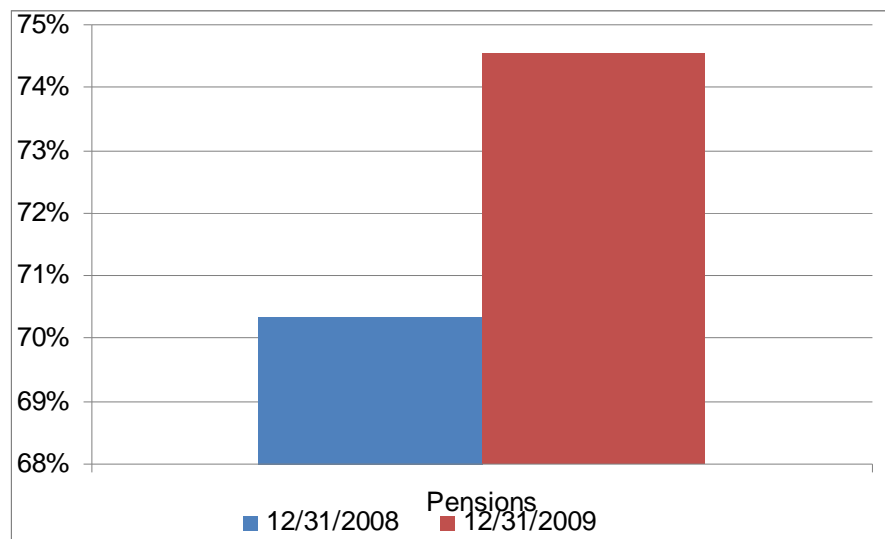
DEBT LEVELS

The village does not always have the cash on hand to pay for large projects like storm sewer improvements or even to make scheduled payments. Like households, governments borrow to pay for larger expenditures.



PENSION AND OTHER RETIREE BENEFITS

Village of Pigeon full time employees who meet certain requirements, such as years of service and age, receive a pension when they retire. The village does not offer and retiree health program.



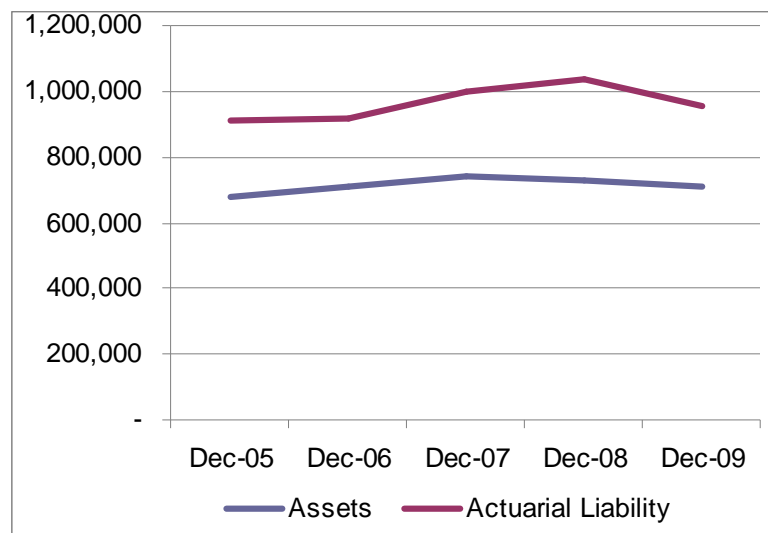
CREDIT RATING

The village maintains a sound credit rating despite its challenges. The credit-worthiness of the village is assessed by Standard & Poor's. They review market assesses and the budget practices of the village to determine whether they believe the village has the ability to re-pay its debts. The village has had a A rating since 2008.

PUBLIC BUDGET GAP

A deficit is the extent to which expenses exceed revenues in a given year. However the village can have unfunded obligations that are not recognized in their namely, unfunded pensions are recognized as liabilities and therefore not included in the budget surplus or deficit figure. Though the village has not fully funded these obligations, it will eventually have to pay, since the Michigan Constitution guarantees pensions (but not retiree health benefits) for public employees.

The chart below represents the assets to the liability of the pension fund.



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 the Village of Pigeon.

DATA SOURCES AND NOTES

All data is from the Village of Pigeon audits and financial statements 2006-2011, the 2011 Citizen's Guide to Michigan's Financial Health. The Local government employees and compensation are from the U.S. Bureau of Economic Analysis Regional Economic Information System data for 2009.