



# 2011 CITIZEN'S GUIDE Sherman Township, Michigan Financial Health

**Dollars and Sense:  
How Sherman Township spends your money  
Presented by: Township Supervisor's Office**



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# Welcome

Dear Citizens,

Welcome to the Sherman Township's 2011 Citizen's Guide. The purpose of this Citizen's Guide and the associated Performance Dashboard is to give readers a better understanding of our government's financial activities. This Citizen's Guide was prepared using information from the audited financial statements for the most recent two fiscal years, and presents the information in a summarized, less technical format. Unlike the financial statements, the Citizen's Guide is unaudited, and does not include the same level of detail or disclosures as do the financial statements.

This Citizen's Guide provides definitions of key financial terms, and gives an analysis of how our government has received and spent resources. In addition, this report includes information on our government's pension liability and debt, available reserves, as well as comparative statistics.

I hope you enjoy reading this report and welcome any comments or questions you may have.

Sincerely,

*(Signature not shown for security purposes.)*

**Township Supervisor**



# About Our Township

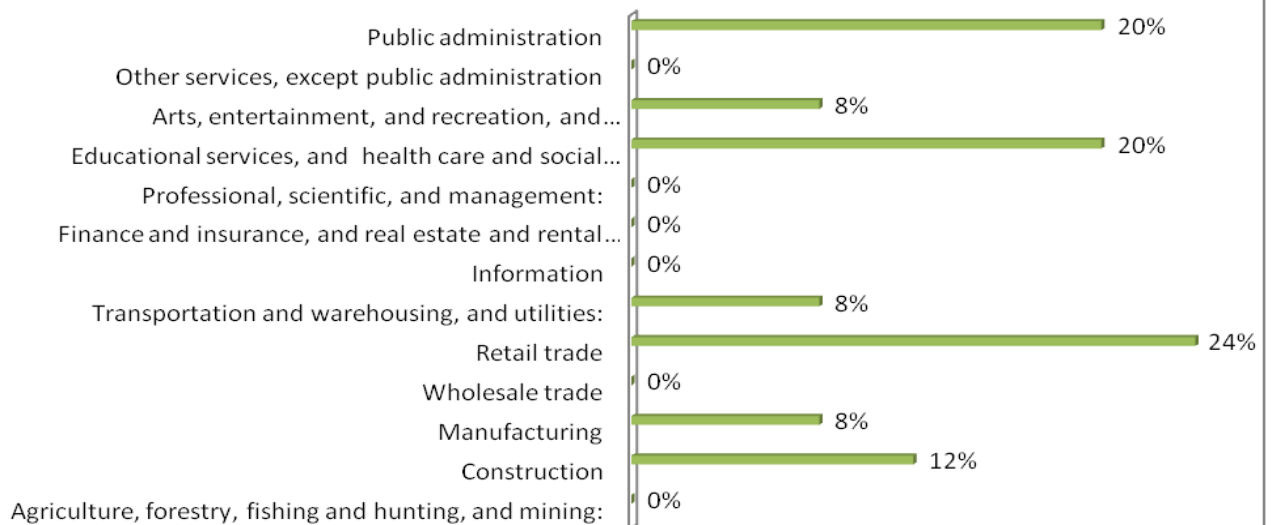
Sherman Township, located in Keweenaw County, MI, is a community that is beautiful, historic, , affordable, safe, and well planned. The Township has one Village—Gay village. The Township’s government is committed to providing exemplary public services, making the Township an ideal place for residents, businesses, and tourists.



## Notable Attractions and Events

- ◆ On July 4th Unique parade
- ◆ Smokestack of the Gay village which can be seen for miles and is used as a navigational aid.

## The Township's Inustry Employment percentage



Source: 2010 Census



# Key Terms

Below are a few key terms which may be helpful when reading this report.

**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 Township 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 Township 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. Sherman Township uses April 1 - March 31 as its fiscal 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.

**Reserved/Restricted funds.** Some funds are considered to be "reserved" or "restricted" for a specific purpose, and cannot be spent for anything else.

**Primary government.** Sherman Township is the primary government.

**Governmental funds.** Governmental funds include the General Fund, the chief operating fund, and include most of the basic services of the Township.



**Net assets.** Net assets of a governmental entity equal its assets minus its liabilities.



# How Governments Use Your Money

## WHERE CITIZEN DOLLARS GO AND SERVICES THAT GOVERNMENTS PROVIDE

Sherman Township uses revenue from utilities, property taxes, and charges for services to provide public services such as police and fire, highway and street maintenance, administrative services, building inspections, refuse collection, planning and zoning, and utility services like water and sewer. This report will look at financial measures of the primary government.

## 2011 FINANCIAL HIGHLIGHTS



Below are selected financial highlights from fiscal year ended 2011.

- ◆ The total assets of the Township exceeded its liabilities at the end of the 2010-2011 fiscal year by \$933,240. Of this amount, \$92,173 is unrestricted, which means this amount can be used by the government to meet its ongoing obligations to citizens and creditors.
- ◆ The government's total net assets decreased by \$10,040 from the 2009 to 2011 fiscal years.
- ◆ At the close of the 2010-2011 fiscal year, the Township's governmental funds (the funds used to account for most of the government's activities except utilities)

reported combined ending fund balances of \$92,909, an increase of \$13,588 over the year 2009. Approximately 82% of this amount, or \$75,964, is available for spending at the government's discretion.

- ◆ At the end of the 2010-2011 fiscal year, the available fund balance for the Township General Fund was \$85,618. The General Fund accounts for most of the governmental fund transactions except those related to Fire Department. This amount represents approximately 3.5% of total general fund expenditures.
- ◆ The Township's total debt decreased by \$26,800 during the 2009-2011 fiscal year because of principal payments made throughout the year.





# How Taxpayer Money Is Spent

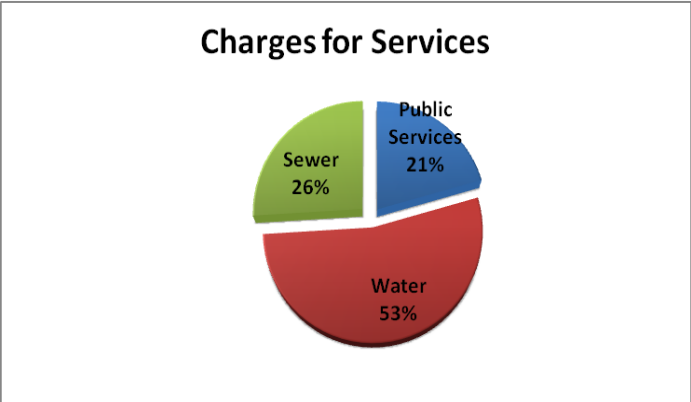
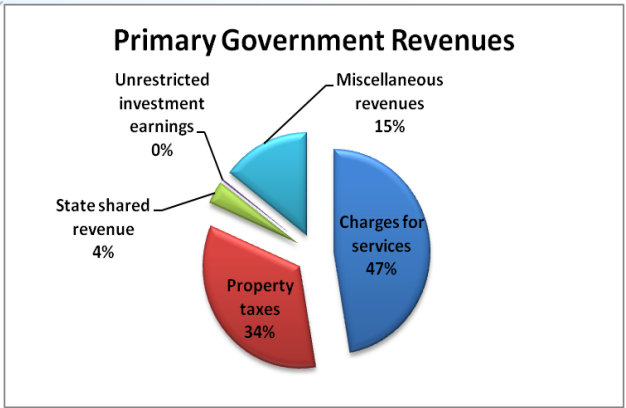
## REVENUES: WHERE THE MONEY COMES FROM

### Primary government revenue sources:

**Charges for services:** Fees charged for licenses, permits, fines and forfeitures, penalties, utility services, and other government services.

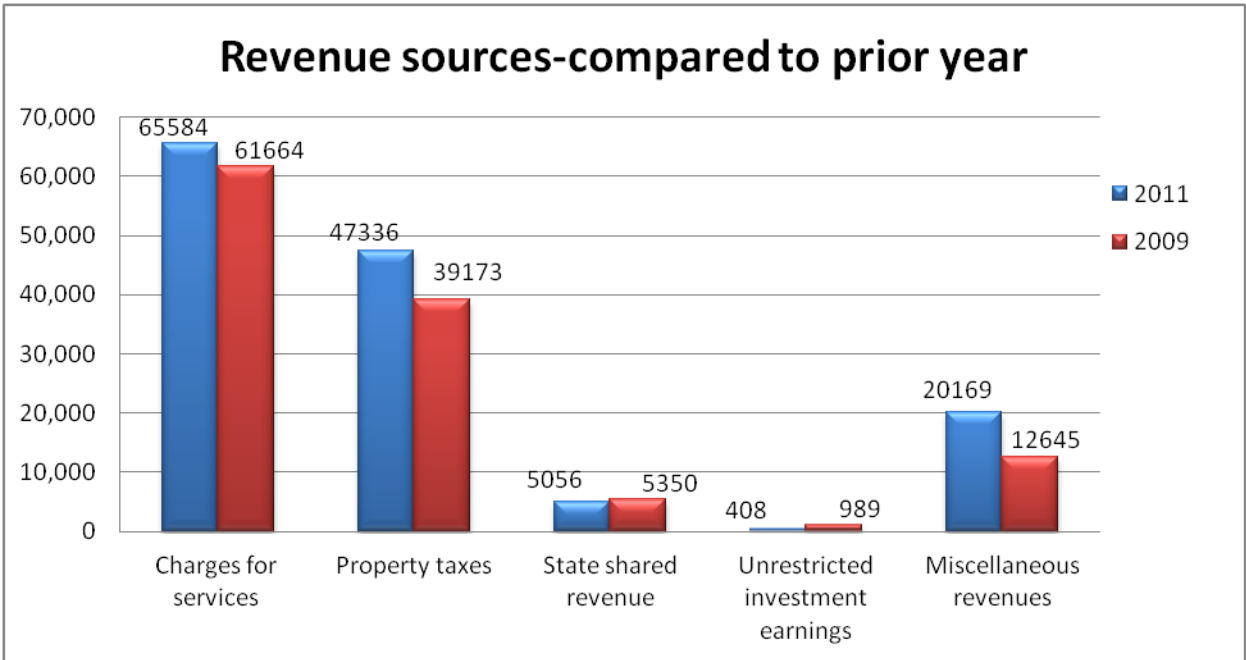
**Operating grants and contributions—Program:** Aid from local, state, and federal sources designated for operating use by a specific program.

**Property Taxes:** Taxes levied by the government based on the value of property.



**Unrestricted investment earnings:** Earnings on investment which can be spent on any government program.

**Unrestricted grants and contributions:** Contributions which can be spent on any government program.

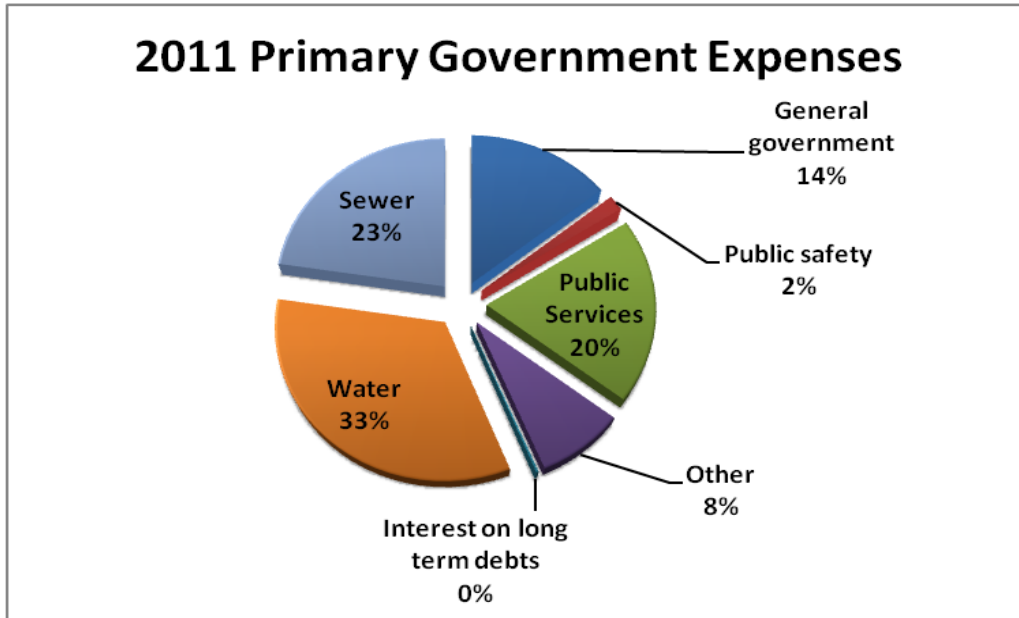




# How Taxpayer Money Is Spent

## EXPENSES: WHERE THE MONEY GOES

### 2011 Primary Government Expenses



Public works

**General Government** expenses go toward government operations such as legislative, treasurer, clerk, assessing, judicial, elections, and finance functions.

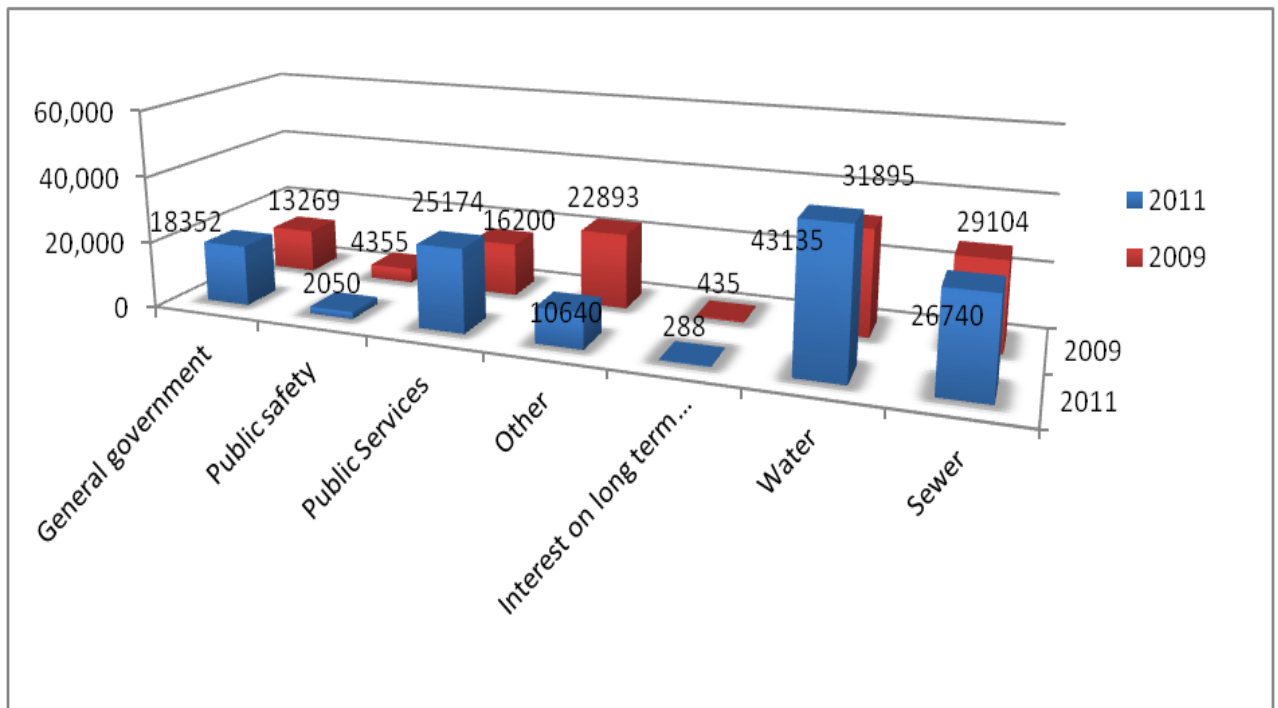
**Public Safety** expenses include police, fire, and building inspections.

**Community and Economic Development** expenses include activities such as planning and zoning.

expenses include building and maintenance of streets, highways, street lights, sidewalks, and refuse collection.

**Sewer** expenses go toward activities of the sewer disposal and treatment utility.

**Water** expenses go toward operating the water distribution and treatment utility.



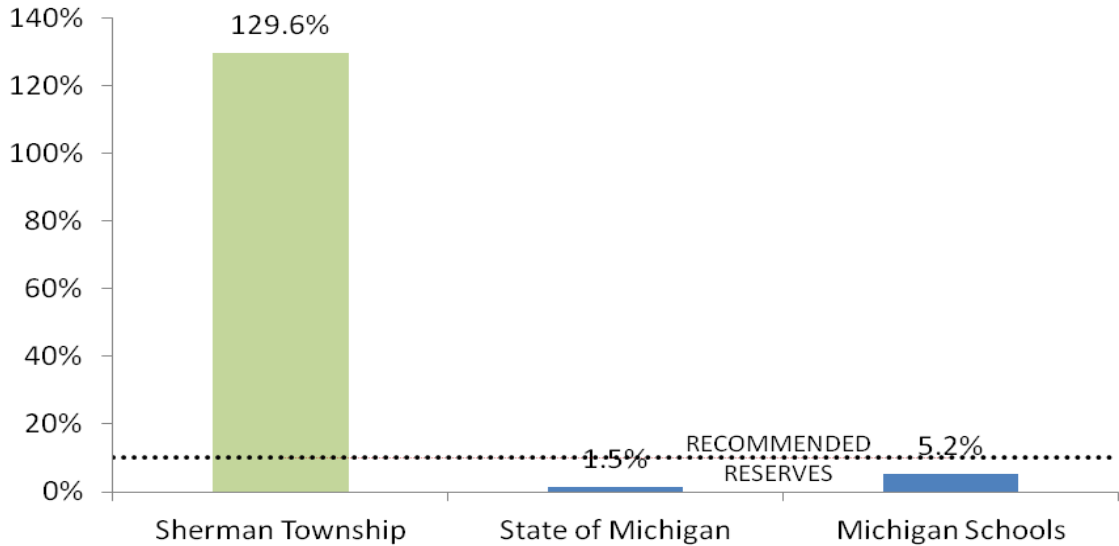




# The Township's Fiscal Health

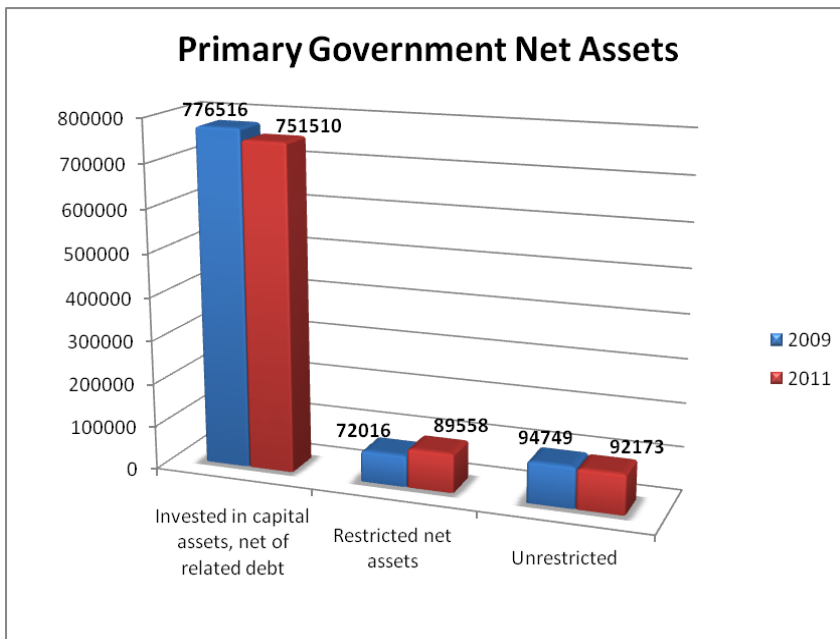
## AVAILABLE RESERVES, GOVERNMENTAL FUNDS

The graph below gives information about the Sherman Township's available governmental fund reserves, which is cash not designated or restricted for any purpose. The percentage of available reserves to total annual governmental fund expenditures is 129.6%, and is a way above the recommended reserves level of 10%.



## FINANCIAL POSITION, PRIMARY GOVERNMENT

Source for Michigan and Michigan School data: State of Michigan

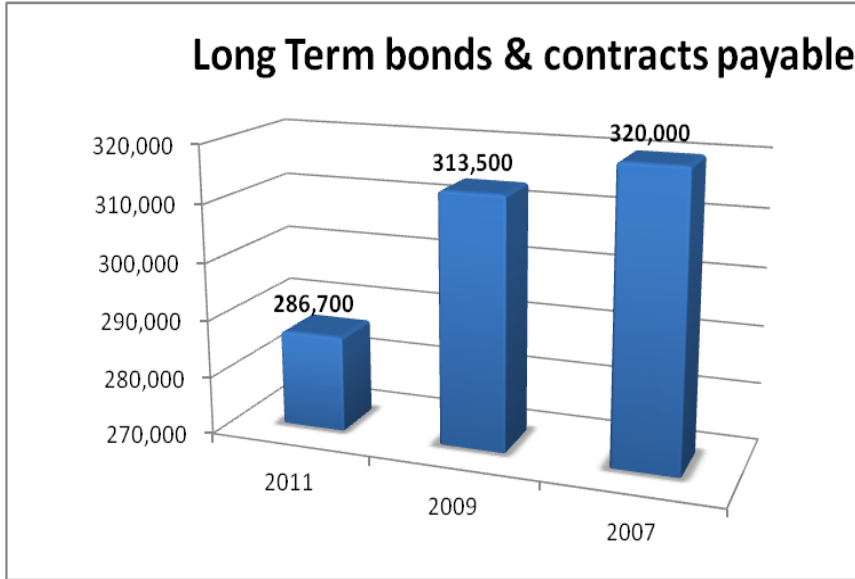


This graph shows the status of the Township's net assets. Net assets are the difference between the Township's assets and liabilities. The left columns represent total capital assets less depreciation less related debt. The middle columns represent funds which have limited use due to third-party restrictions. The right columns represent funds which are available to be used for any purpose.



# The Township's Fiscal Health

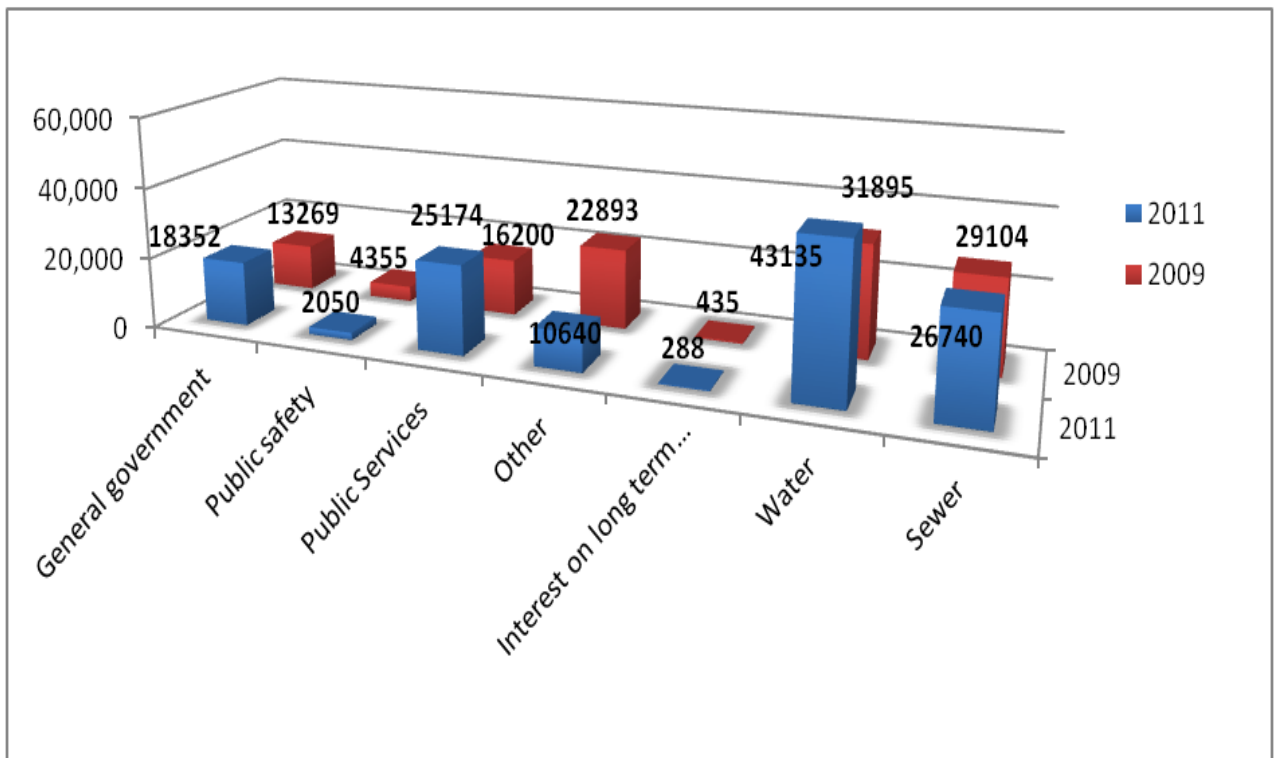
## STRUCTURED DEBT LEVELS, PRIMARY GOVERNMENT



These structured debt amounts for the primary government involve revenue bonds—water system and special assessment bonds—sewage system.

## DEBT PER CAPITA

The graph below shows how the Township's debt per capita, or average debt per person, compares to that of other municipalities and governments. Sherman Township's debt per capita is significantly higher than the average for cities and Townships.





# The Township's Fiscal Health

## PENSION AND OTHER RETIREE BENEFITS

The Township contributes to a defined contribution pension plan of funding Social Security in accordance with IRS regulations and approval.

A defined contribution pension plan provides pension benefits in return for services rendered., provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution plan the number of participant will receive depend solely on the amount contributed to the participant's account, the return earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account

As established by the Township, all officials and full and permanent part time and ploys are eligible under the plan. Contributions made by an employee or the Township vest 100% immediately . An employee that leaves employment of the Township is entitled to his or her contribution and the Townships contributions in the form of a retirement benefit that can be provided by his accrued benefit under the given annuity contract. The Township currently contributes 6% of wages paid. Participants under the plan can voluntarily contribute 6% of their respective account.

The Township's pension expense amounted to \$ 729, for the year ended March 31, 2011.



# How This Report Was Developed

## DATA SOURCES AND NOTES

This Citizen's Guide was prepared using the annual audited financial statements for the fiscal years ended March 31, 2011 and March 31, 2009. For comparison purpose, 2009 statement is used in this Citizen Guide since Sherman Township, due to its size, is required only to prepare the annual audited financial statement every other year.

