

City of Garden City, Michigan

Financial Report with Supplemental Information June 30, 2012

City of Garden City, Michigan

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Independent Auditor's Report

To the City Council
City of Garden City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Garden City, Michigan (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Garden City, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Garden City, Michigan as of June 30, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In addition, the other supplemental information schedules of indebtedness are presented for the purpose of additional analysis and are not a required part of the financial statements. We have applied certain limited procedures to the required supplemental information and schedules of indebtedness in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the City Council
City of Garden City, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Garden City, Michigan's basic financial statements. The nonmajor fund combining schedules and the Downtown Development Authority schedules, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

November 27, 2012

City of Garden City, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Garden City, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this management's discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2012:

- Total net assets related to the City's governmental activities decreased by 14 percent, primarily due to the increasing unfunded liability associated with retiree healthcare.
- The City's taxable value dropped approximately 12 percent from the previous year in 2011/2012. The City responded appropriately by continuing with cost cuts, consolidations, and staffing reductions. The budget for 2011/2012 was reduced by over 15 percent.
- The City has continued to carefully monitor spending, increased productivity due to technology, and consolidated services. Following these policies for the last several years has strengthened our financial position.
- Five of the six bargaining groups are in contracts that expire June 30, 2014. The contract for the Command Officers Association of Michigan (COAM) expires June 30, 2013. Each contract contains concessions that reduce personnel costs to the City. Those costs include the elimination of postemployment health care for new hires, the removal of optical benefits, and cost-sharing for health care.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The financial statements for each fund present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

City of Garden City, Michigan

Management's Discussion and Analysis (Continued)

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting tools that the City uses to keep track of specific sources of funding and to monitor spending. Some funds are required to be separately maintained by state law. The City Council establishes other funds to control and manage money for particular purposes.

The City has three kinds of funds:

- **Governmental Funds** - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash, flow in and out, and the balance left at year end that is available for future spending. The governmental fund statements provide a detailed short-term view that highlights whether there are more or fewer financial resources available in the near future to finance the City's programs. Because the focus of governmental funds is narrower, it is useful to compare this information with similar information presented for governmental activities in the government-wide financial statements. The statement of revenue, expenditures, and changes in fund balances for the governmental funds provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 13 individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balances for the General Fund and Major Streets Fund, which are considered to be major funds. Data for the other 11 governmental funds is combined into a single, aggregated presentation. Individual fund data for the nonmajor governmental funds is provided in the form of combining statements located in the other supplemental information section of this report.

The City adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided for all major governmental funds to demonstrate budgetary compliance.

- **Proprietary Funds** - Proprietary fund reporting, like government-wide statements, provide both short-term and long-term financial information. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented in the business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operation. This fund is considered a major fund of the City. Internal service funds accumulate and allocate costs internally among various functions. The City uses an internal service fund to account for its self-insurance program. Because this program predominantly benefits governmental rather than business-type functions, it has been consolidated within the governmental activities in the government-wide financial statements.

City of Garden City, Michigan

Management's Discussion and Analysis (Continued)

- **Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources held in those funds are not available to finance the City's programs.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Required Supplemental Information

The required supplemental information is in addition to the basic financial statements and accompanying notes. This section of the report highlights the City's progress in funding its obligations to provide pension and other postemployment benefits to its employees. In addition, this section includes the budgetary comparison statements for the General Fund and major special revenue fund.

Other Financial and Supplemental Information

The combining fund statements referred to earlier, as well as the City's schedule of indebtedness, are presented immediately following the required supplemental information section of this report.

The City as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2012 and compared to the prior year (in millions of dollars):

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Assets						
Current assets	\$ 11.7	\$ 11.1	\$ 8.7	\$ 11.9	\$ 20.4	\$ 23.0
Capital assets	30.0	29.4	34.3	33.4	64.3	62.8
Noncurrent assets	-	-	0.1	0.1	0.1	0.1
Total assets	41.7	40.5	43.1	45.4	84.8	85.9
Liabilities						
Current liabilities	3.6	3.1	2.6	4.0	6.2	7.1
Long-term liabilities	20.5	22.4	8.1	7.6	28.6	30.0
Total liabilities	24.1	25.5	10.7	11.6	34.8	37.1
Net Assets						
Invested in capital assets -						
Net of related debt	27.1	25.6	26.2	26.5	53.3	52.1
Restricted	5.6	6.0	-	-	5.6	6.0
Unrestricted	(15.1)	(16.6)	6.2	7.3	(8.9)	(9.3)
Total net assets	<u>\$ 17.6</u>	<u>\$ 15.0</u>	<u>\$ 32.4</u>	<u>\$ 33.8</u>	<u>\$ 50.0</u>	<u>\$ 48.8</u>

City of Garden City, Michigan

Management's Discussion and Analysis (Continued)

The City's combined net assets decreased approximately 2.4 percent from a year ago, decreasing from \$50.0 million to \$48.8 million. A review of the governmental activities, separate from the business-type activities, shows a decrease of 14.8 percent, or approximately \$2.6 million, during fiscal year 2012. In contrast, the business-type activities experienced a 4.3 percent, or \$1.4 million, increase in net assets during fiscal year 2012.

Governmental unrestricted net assets, the portion of net assets available to finance day-to-day operations and future growth, changed from a negative \$15.1 million at June 30, 2011 to a negative \$16.6 million at June 30, 2012, primarily because of the increase in postemployment benefits (retiree healthcare) liability and the judgment bonds, which have no assets offsetting them.

In contrast, the business-type unrestricted net assets increased by \$1.1 million for the fiscal year ended June 30, 2012. The Water and Sewer Fund continues to be strengthened by the City's planning policies. Rates continue to be evaluated and adjusted as necessary to plan for capital improvements and the financial health of the fund. The planned replacement of water meters has been completed throughout the City. A continued scheduled replacement is planned. Investments in technology have reduced direct personnel costs.

City of Garden City, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets (in millions of dollars) for the years ended June 30, 2012 and 2011:

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Revenue						
Program revenue:						
Charges for services	\$ 3.1	\$ 3.5	\$ 8.9	\$ 11.3	\$ 12.0	\$ 14.8
Operating grants and contributions	2.5	3.4	-	-	2.5	3.4
Capital grants and contributions	0.2	-	-	-	0.2	-
General revenue:						
Property taxes	11.8	9.6	-	-	11.8	9.6
State-shared revenue	2.8	2.6	-	-	2.8	2.6
Unrestricted investment earnings	0.1	0.1	-	-	0.1	0.1
Franchise fees	0.4	0.4	-	-	0.4	0.4
Other	-	0.1	-	-	-	0.1
Total revenue	20.9	19.7	8.9	11.3	29.8	31.0
Program Expenses						
General government	4.7	3.0	-	-	4.7	3.0
Public safety	11.3	10.8	-	-	11.3	10.8
Public works	5.0	4.1	-	-	5.0	4.1
Community maintenance, development, and other	1.0	1.0	-	-	1.0	1.0
Culture and recreation	1.8	2.1	-	-	1.8	2.1
District court	1.0	0.8	-	-	1.0	0.8
Interest expense	0.7	0.5	-	-	0.7	0.5
Water and sewer	-	-	7.9	8.5	7.9	8.5
Rubbish disposal	-	-	-	1.4	-	1.4
Total program expenses	25.5	22.3	7.9	9.9	33.4	32.2
Change in Net Assets	\$ (4.6)	\$ (2.6)	\$ 1.0	\$ 1.4	\$ (3.6)	\$ (1.2)

Governmental Activities

The City's total governmental revenue and other items decreased by approximately \$1.2 million, mostly due to decreased property tax revenue and cuts in state revenue sharing.

Governmental expenses decreased by approximately 12.5 percent, or \$3.2 million. The City continues to tighten controls on spending, pursue a continuing deficit reduction plan, and reduce capital expenditures from the General Fund. Inflationary factors have affected costs, especially in the areas of health care and required pension contributions, as have increases in energy and capital assets. Public safety expenditures decreased by \$0.5 million in the current year as a result of reduced overtime and restructured work hours in the police department.

City of Garden City, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund and Rubbish Collection Assessment Fund. We provide water and sewer services to residents from the DWSD. A positive cash flow for operational activities was again realized as a result of adherence to the five-year plan adopted by the City Council in 2002 and 2007, and updated annually thereafter. For fiscal year 2012, a rubbish collection assessment fund was added. Revenues will be generated from special assessments.

The City's Funds

Our analysis of the City's major funds follows the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as the Major and Local Streets Funds. The City's major funds for the fiscal year ended June 30, 2012 included the General Fund and the Major Streets Fund, in accordance with GASB requirements.

The General Fund pays for most of the City's governmental services. The most significant are personnel costs. Personnel costs, across all departments, account for approximately 57 percent of the General Fund budget, a reduction from 66 percent. Public safety (police and fire) costs account for approximately 42 percent of the General Fund budget, approximately \$6.6 million, in the fiscal year ended June 30, 2012.

The Major Streets Fund is used by the City to account for capital outlay expenditures related to road construction and maintenance. State revenue sources and transfers from other funds support the activities recorded in this fund. Fund balances in the Major Streets Fund increased, as completed road improvement projects were less than the Act 51 revenue from the State. Maplewood Road, Ford Road, and Inkster Road, major City thoroughfares, were the focus of this year's Major Streets Fund program and were partially paid for using both state and federal sources.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. The General Fund's fund balance, excluding funds that were blended with the General Fund as a result of implementing GASB Statement No. 54, increased from \$1,885,369 a year ago to \$3,442,616 at June 30, 2012.

Capital Asset and Debt Administration

The City's investment in capital assets was reduced significantly in response to the reduction in revenue. Investment was still made in the City's Management Information System (MIS) and public safety to maintain the strides made in the improvement of the City's infrastructure.

City of Garden City, Michigan

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

Going forward, the City made two major decisions in fiscal year 2011/2012 for the next fiscal year (2012/2013) which will increase revenue and permit the City to maintain its superior services to citizens. First, the citizens approved a 3.5 public safety millage to offset General Fund expenses. Second, City Council planned for a street lighting assessment, also removing that cost from the General Fund. Residents also voted for a library millage, which relieved the City of its contribution to the Library Fund.

The City has acquired no new bonded debt in 2011/2012, having restructured some debt last year for a net savings of almost \$400,000 in debt service over the life of the bonds. The City's existing debt begins to fall off in 2015/2016.

Water and sewer rates have increased for the fiscal year ending June 30, 2013 to reflect increases received from the Detroit Water and Sewer Department and Wayne County, and in accordance with our five-year plan.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the office of the treasurer/city clerk.

City of Garden City, Michigan

Statement of Net Assets June 30, 2012

	Primary Government			Component Unit - DDA
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 2)	\$ 7,836,675	\$ 6,812,718	\$ 14,649,393	\$ 554,843
Receivables (Note 4)	2,264,954	5,010,381	7,275,335	298,546
Prepaid costs and other assets	248,503	-	248,503	48,026
Investment in CWCSA (Note 12)	(3,571)	-	(3,571)	-
Due from other governmental units	763,361	-	763,361	-
Capital assets (Note 5):				
Assets not subject to depreciation	1,681,826	123,872	1,805,698	-
Assets subject to depreciation	27,724,485	33,321,374	61,045,859	1,766,042
Unamortized bond issuance costs	-	121,395	121,395	-
Total assets	40,516,233	45,389,740	85,905,973	2,667,457
Liabilities				
Accounts payable	473,840	1,335,053	1,808,893	6,190
Accrued and other liabilities	351,447	1,372,031	1,723,478	8,610
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	314,625	104,041	418,666	-
Current portion of long-term debt	1,911,109	1,170,470	3,081,579	188,128
Due in more than one year:				
Compensated absences	499,879	-	499,879	-
Net OPEB obligation	9,025,353	1,808,488	10,833,841	-
Long-term debt	12,907,330	5,829,402	18,736,732	1,222,652
Total liabilities	25,483,583	11,619,485	37,103,068	1,425,580
Net Assets				
Invested in capital assets - Net of related debt	25,585,391	26,445,374	52,030,765	355,262
Restricted for:				
Streets and highways	4,848,505	-	4,848,505	-
Capital projects	49,177	-	49,177	-
Police drug confiscation monies	86,795	-	86,795	-
Police grant activities	1,874	-	1,874	-
911	185,629	-	185,629	-
Franchise PEG fees	122,229	-	122,229	-
Refuse levy	730,993	-	730,993	-
Housing rehabilitation	14,630	-	14,630	-
Unrestricted	(16,592,573)	7,324,881	(9,267,692)	886,615
Total net assets	\$ 15,032,650	\$ 33,770,255	\$ 48,802,905	\$ 1,241,877

City of Garden City, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,029,128	\$ 769,077	\$ -	\$ -
21st District Court	842,322	801,377	45,954	-
Public safety	10,827,342	660,570	201,453	-
Public works	4,069,561	391,701	1,768,686	-
Community maintenance, development, and other	968,471	366,696	370,001	-
Recreation and culture	2,112,797	550,553	1,036,413	-
Debt service	526,622	-	-	-
Total governmental activities	22,376,243	3,539,974	3,422,507	-
Business-type activities:				
Water and Sewer Fund	8,536,480	10,001,294	-	-
Rubbish Collection Assessment Fund	1,417,481	1,304,052	-	-
Total business-type activities	9,953,961	11,305,346	-	-
Total primary government	<u>\$ 32,330,204</u>	<u>\$ 14,845,320</u>	<u>\$ 3,422,507</u>	<u>\$ -</u>
Component unit - Downtown Development Authority	<u>\$ 434,901</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Interest and other				
Cable franchise fees				
Other miscellaneous income				
Loss on sale of capital assets				
Total general revenue				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

**Statement of Activities
Year Ended June 30, 2012**

Primary Government			Component Unit - Downtown Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (2,260,051)	\$ -	\$ (2,260,051)	\$ -
5,009	-	5,009	-
(9,965,319)	-	(9,965,319)	-
(1,909,174)	-	(1,909,174)	-
(231,774)	-	(231,774)	-
(525,831)	-	(525,831)	-
(526,622)	-	(526,622)	-
(15,413,762)	-	(15,413,762)	-
-	1,464,814	1,464,814	-
-	(113,429)	(113,429)	-
-	1,351,385	1,351,385	-
(15,413,762)	1,351,385	(14,062,377)	-
-	-	-	(434,901)
9,603,483	-	9,603,483	470,242
2,573,152	-	2,573,152	-
96,427	23,474	119,901	1,891
434,835	-	434,835	-
94,248	-	94,248	-
(3,560)	-	(3,560)	-
12,798,585	23,474	12,822,059	472,133
(2,615,177)	1,374,859	(1,240,318)	37,232
17,647,827	32,395,396	50,043,223	1,204,645
\$ 15,032,650	\$ 33,770,255	\$ 48,802,905	\$ 1,241,877

City of Garden City, Michigan

Governmental Funds Balance Sheet June 30, 2012

	General Fund	Major Streets Fund	Nonmajor Funds	Total
Assets				
Cash and investments	\$ 1,710,965	\$ 3,547,895	\$ 1,752,594	\$ 7,011,454
Receivables:				
Property taxes receivable	1,059,260	-	83,398	1,142,658
Special assessments receivable	26,604	-	131,446	158,050
Other receivables	750,995	-	317,948	1,068,943
Due from other funds	509,118	-	2,128	511,246
Prepaid costs and other assets	52,986	-	2,244	55,230
Due from other governmental units	424,798	186,771	151,792	763,361
	<u>\$ 4,534,726</u>	<u>\$ 3,734,666</u>	<u>\$ 2,441,550</u>	<u>\$10,710,942</u>
Total assets				
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 368,875	\$ 39,274	\$ 60,707	\$ 468,856
Due to other funds	-	-	511,246	511,246
Accrued and other liabilities	237,936	-	-	237,936
Deferred revenue	175,042	-	143,723	318,765
	<u>781,853</u>	<u>39,274</u>	<u>715,676</u>	<u>1,536,803</u>
Total liabilities				
Fund Balances				
Nonspendable - Prepays	52,986	-	2,244	55,230
Restricted:				
Roads	-	3,695,392	1,153,113	4,848,505
Public safety	1,874	-	272,424	274,298
Housing rehabilitation	-	-	14,630	14,630
Capital projects	-	-	24,085	24,085
PEG fees	-	-	119,985	119,985
Refuse	730,993	-	-	730,993
Assigned - Capital projects	-	-	355,087	355,087
Unassigned	2,967,020	-	(215,694)	2,751,326
	<u>3,752,873</u>	<u>3,695,392</u>	<u>1,725,874</u>	<u>9,174,139</u>
Total fund balances				
Total liabilities and fund balances				
	<u>\$ 4,534,726</u>	<u>\$ 3,734,666</u>	<u>\$ 2,441,550</u>	<u>\$10,710,942</u>

City of Garden City, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets June 30, 2012

Fund Balance Reported in Governmental Funds	\$ 9,174,139
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	29,406,311
Investments in joint ventures are not financial resources and are not reported in the funds	(3,571)
Special assessment, grant receivables, and property taxes are expected to be collected over several years and are not available	318,765
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(14,000,920)
Accrued interest is not due and payable in the current period and is not reported in the funds	(113,511)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(814,504)
Net other postemployment benefits obligation	(9,025,353)
Allowance for delinquent personal property taxes not reported in the funds	(104,697)
Bond issuance costs	167,773
Internal service funds are included as part of governmental activities	<u>28,218</u>
Net Assets of Governmental Activities	<u>\$ 15,032,650</u>

City of Garden City, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2012

	General Fund	Major Streets Fund	Nonmajor Funds	Total
Revenue				
Property taxes	\$ 8,427,212	\$ -	\$ 1,278,344	\$ 9,705,556
Licenses and permits	27,503	-	-	27,503
Federal sources	358,414	-	220,157	578,571
State sources	4,627,210	1,140,728	459,295	6,227,233
Charges for services	1,646,482	-	76,337	1,722,819
21st District Court	801,377	-	-	801,377
Interest and other	414,386	11,894	332,175	758,455
Cable franchise fees	520,993	-	-	520,993
Special assessments	12,777	-	547,516	560,293
Total revenue	<u>16,836,354</u>	<u>1,152,622</u>	<u>2,913,824</u>	<u>20,902,800</u>
Expenditures				
General government	3,970,176	-	-	3,970,176
21st District Court	635,932	-	-	635,932
Public safety	6,425,252	-	132,566	6,557,818
Public service	1,218,983	453,854	-	1,672,837
Community maintenance, development, and other	473,918	-	1,535,925	2,009,843
Recreation and culture	1,645,199	-	-	1,645,199
Capital outlay	-	-	19,860	19,860
Debt service	933,256	-	1,424,698	2,357,954
Total expenditures	<u>15,302,716</u>	<u>453,854</u>	<u>3,113,049</u>	<u>18,869,619</u>
Excess of Revenue Over (Under)				
Expenditures	1,533,638	698,768	(199,225)	2,033,181
Other Financing Sources (Uses)				
Face value of debt issue	-	-	11,190,000	11,190,000
Transfers in	-	-	314,719	314,719
Transfers out	(30,000)	(284,719)	-	(314,719)
Payment to bond refunding escrow agent	-	-	(11,177,575)	(11,177,575)
Total other financing (uses) sources	<u>(30,000)</u>	<u>(284,719)</u>	<u>327,144</u>	<u>12,425</u>
Net Change in Fund Balances	1,503,638	414,049	127,919	2,045,606
Fund Balances - Beginning of year	<u>2,249,235</u>	<u>3,281,343</u>	<u>1,597,955</u>	<u>7,128,533</u>
Fund Balances - End of year	<u>\$ 3,752,873</u>	<u>\$ 3,695,392</u>	<u>\$ 1,725,874</u>	<u>\$ 9,174,139</u>

City of Garden City, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ 2,045,606
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	203,733
Depreciation expense	(2,594,191)
Net book value of assets disposed of	(24,760)
Special assessment, property tax, and grant revenue are recorded in the statement of activities when the assessment is set; it is not reported in the funds until collected or collectible within 60 days of year end	(152,619)
Bond issuance costs are not reported as other financing uses on the statement of activities because they are capitalized and amortized over the term of the bond	(36,392)
Change in interest in joint venture	(2,324)
Change in personal property tax revenue	(82,677)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	12,959,533
Change in accrued interest payable and other	26,535
Issuing debt provides financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets	(11,190,000)
Change in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	24,946
Change in net other postemployment benefits liability is recorded when incurred in the statement of activities	(3,343,432)
Internal service funds are included as part of governmental activities	(449,135)
Change in Net Assets of Governmental Activities	<u>\$ (2,615,177)</u>

City of Garden City, Michigan

Proprietary Funds Statement of Net Assets (Deficit) June 30, 2012

	Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Nonmajor Fund - Rubbish Collection Assessment Fund	Total	Internal Service Funds
Assets				
Current assets:				
Cash and investments	\$ 6,770,638	\$ 42,080	\$ 6,812,718	\$ 825,221
Receivables - Net (Note 4)	4,915,228	95,153	5,010,381	-
Prepaid costs and other assets	-	-	-	25,500
Total current assets	11,685,866	137,233	11,823,099	850,721
Noncurrent assets:				
Capital assets:				
Assets not subject to depreciation	123,872	-	123,872	-
Assets subject to depreciation	33,321,374	-	33,321,374	-
Unamortized bond discount	121,395	-	121,395	-
Total noncurrent assets	33,566,641	-	33,566,641	-
Total assets	45,252,507	137,233	45,389,740	850,721
Liabilities				
Current liabilities:				
Accounts payable	1,085,536	249,517	1,335,053	4,984
Accrued and other liabilities	1,372,031	-	1,372,031	-
Compensated absences - Current	104,041	-	104,041	-
Current portion of long-term debt	1,170,470	-	1,170,470	-
Total current liabilities	3,732,078	249,517	3,981,595	4,984
Noncurrent liabilities:				
Net other postemployment obligation	1,808,488	-	1,808,488	-
Long-term debt	5,829,402	-	5,829,402	817,519
Total noncurrent liabilities	7,637,890	-	7,637,890	817,519
Total liabilities	11,369,968	249,517	11,619,485	822,503
Net Assets (Deficit)				
Invested in capital assets - Net of related debt	26,445,374	-	26,445,374	-
Unrestricted	7,437,165	(112,284)	7,324,881	28,218
Total net assets (deficit)	<u>\$ 33,882,539</u>	<u>\$ (112,284)</u>	<u>33,770,255</u>	<u>\$ 28,218</u>
Net Assets of Business-type Activities			<u><u>\$ 33,770,255</u></u>	

The Notes to Financial Statements are an Integral Part of this Statement.

City of Garden City, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets (Deficit) Year Ended June 30, 2012

	Enterprise Funds		Total	Governmental Activities
	Water and Sewer Fund	Nonmajor Fund - Rubbish Collection Assessment Fund		Internal Service Funds
Operating Revenue				
Water and sewer services	\$ 9,952,589	\$ -	\$ 9,952,589	\$ -
Interest and other	48,705	-	48,705	-
Charges for services	-	1,304,052	1,304,052	183,048
Total operating revenue	10,001,294	1,304,052	11,305,346	183,048
Operating Expenses				
Cost of water	1,547,821	-	1,547,821	-
Cost of sewage treatment	2,629,568	-	2,629,568	-
Cost of rubbish disposal	-	1,417,481	1,417,481	-
Supplies	114,254	-	114,254	-
Personnel services	2,256,489	-	2,256,489	-
Other services and charges	714,463	-	714,463	-
Claims expense	-	-	-	635,102
Depreciation and amortization	974,835	-	974,835	-
Total operating expenses	8,237,430	1,417,481	9,654,911	635,102
Operating Income (Loss)	1,763,864	(113,429)	1,650,435	(452,054)
Nonoperating Revenue (Expense)				
Investment income	22,329	1,145	23,474	2,919
Interest expense	(299,050)	-	(299,050)	-
Total nonoperating (expense) revenue	(276,721)	1,145	(275,576)	2,919
Change in Net Assets	1,487,143	(112,284)	1,374,859	(449,135)
Net Assets - Beginning of year	32,395,396	-	32,395,396	477,353
Net Assets (Deficit) - End of year	<u>\$ 33,882,539</u>	<u>\$ (112,284)</u>	<u>\$ 33,770,255</u>	<u>\$ 28,218</u>

City of Garden City, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2012

	Enterprise Funds			Governmental
	Nonmajor Fund - Rubbish			Activities
	Water and Sewer Fund	Collection Assessment Fund	Total	Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 9,296,873	\$ 1,304,052	\$ 10,600,925	\$ 183,048
Payments to suppliers	(3,959,582)	(1,263,117)	(5,222,699)	-
Payments to employees	(1,514,820)	-	(1,514,820)	-
Claims paid	-	-	-	(146,761)
Net cash provided by operating activities	3,822,471	40,935	3,863,406	36,287
Cash Flows from Capital and Related Financing Activities				
Proceeds from sales of capital assets	42,342	-	42,342	-
Purchase of capital assets	(163,372)	-	(163,372)	-
Principal and interest paid on capital debt	(1,383,658)	-	(1,383,658)	-
Net cash used in capital and related financing activities	(1,504,688)	-	(1,504,688)	-
Cash Flows from Investing Activities -				
Interest received on investments	22,329	1,145	23,474	2,919
Net Increase in Cash and Cash Equivalents	2,340,112	42,080	2,382,192	39,206
Cash and Cash Equivalents - Beginning of year	4,430,526	-	4,430,526	786,015
Cash and Cash Equivalents - End of year	<u>\$ 6,770,638</u>	<u>\$ 42,080</u>	<u>\$ 6,812,718</u>	<u>\$ 825,221</u>
Balance Sheet Classification of Cash and Cash Equivalents - Cash and investments	<u>\$ 6,770,638</u>	<u>\$ 42,080</u>	<u>\$ 6,812,718</u>	<u>\$ 825,221</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 1,763,864	\$ (113,429)	\$ 1,650,435	\$ (452,054)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	974,835	-	974,835	-
Changes in assets and liabilities:				
Receivables	(704,421)	(95,153)	(799,574)	-
Prepaid and other assets	(21,844)	-	(21,844)	-
Accounts payable	528,491	249,517	778,008	-
Increase in OPEB liability	712,898	-	712,898	-
Accrued and other liabilities	568,648	-	568,648	488,341
Net cash provided by operating activities	<u>\$ 3,822,471</u>	<u>\$ 40,935</u>	<u>\$ 3,863,406</u>	<u>\$ 36,287</u>

During the year ended June 30, 2012, there was a noncash transaction of \$314,321 as a result of bond refunding.

City of Garden City, Michigan

Fiduciary Funds Statement of Fiduciary Net Assets June 30, 2012

	<u>Agency Funds</u>
Assets - Cash and cash equivalents	<u>\$ 813,250</u>
Liabilities	
Accounts payable	\$ 478,614
Due to other governmental units	<u>334,636</u>
Total liabilities	<u>\$ 813,250</u>

City of Garden City, Michigan

Notes to Financial Statements June 30, 2012

Note I - Nature of Business and Significant Accounting Policies

The accounting policies of the City of Garden City, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Garden City, Michigan:

Reporting Entity

The City of Garden City, Michigan is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended Component Unit - The City of Garden City Building Authority is governed by a board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings.

Discretely Presented Component Unit - The City of Garden City Downtown Development Authority (DDA) is reported in the component unit column in the financial statements. It is reported in a separate column to emphasize that it is legally separate from the City. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the district. The DDA's governing body, consisting of 11 individuals, is selected by the City Council. In addition, the DDA's budget is subject to approval by the City Council.

Jointly Governed Organization - The City is a member of the Nankin Transit Commission, which provides transportation services to the residents of Garden City, Westland, Canton, Wayne, and Inkster. In addition, the City is a member of the Central Wayne County Sanitation Authority, which provides waste management services to the residents of Garden City, Inkster, Dearborn Heights, Wayne, and Westland. See Note 12 for additional information.

The City of Garden City Hospital Finance Authority's purpose is to construct, acquire, reconstruct, remodel, improve, add to, enlarge, repair, own, and lease hospital facilities for the use of any nonprofit hospital inside or outside the boundaries of the City. The City of Garden City Hospital Finance Authority holds no assets and had no financial activity during the year.

Note I - Nature of Business and Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note I - Nature of Business and Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Streets Fund - The Major Streets Fund accounts for the resources of state gas and weight tax revenue that is restricted for use on major streets.

The City reports the following major proprietary fund:

Water and Sewer Fund - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Additionally, the City reports the following fund types:

Internal Service Fund - The Internal Service Fund is used to account for the general liability insurance and workers' compensation insurance provided to other departments of the City primarily on a cost-reimbursement basis.

General Agency Fund - The General Agency Fund accounts for assets held by the City in a trustee capacity or as an agent for individuals, employees, organizations, other governments, or other funds. The General Agency Fund mainly contains tax collections and escrow deposits. The General Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Note I - Nature of Business and Significant Accounting Policies (Continued)

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted resources. When an expense is incurred for purposes for which the amounts in any of the unrestricted fund balance classifications could be used, it is the City's policy to spend funds in this order: committed, assigned, and unassigned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to apply private sector standards issued after November 30, 1989 for its enterprise fund.

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The 2011 taxable valuation of the City totaled \$570 million, on which ad valorem taxes levied consisted of 13.8403 mills for operating purposes, .82 mills for refuse collection, and 2.2396 mills for judgment debt. The ad valorem taxes levied raised \$7.8 million for operation, \$466 thousand for refuse collection, and \$1.3 million for the judgment debt. A portion of the operating millage is captured for the Downtown Development Authority.

Note I - Nature of Business and Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. The City manages and accounts for cash and cash equivalents via an internal pool cash management technique whereby all cash and cash equivalents of the City are consolidated.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	9 to 30 years
Water and sewer distribution systems	50 to 100 years
Drain separation project	40 to 50 years
Buildings and improvements	50 years
Vehicles and equipment	3 to 5 years
Meters	20 years
Office furnishings	5 to 7 years
Machinery and equipment	3 to 7 years

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Pension and Other Postemployment Benefit Costs - The City offers both pension and retiree healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

Fund Equity - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

- Assigned: Intent to spend resources on specific purposes expressed by the governing body
- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Deposits and Investments

The investment policy adopted by the City Council in accordance with Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes deposits and investments in bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2) of the state statute (depository of surplus funds belonging to the State or United States), commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase, United States government or federal agency obligation repurchase agreements, bankers' acceptances of United States banks, obligations of the State or any of its political subdivisions that rate as investment grade by not less than one standard rating service and purchased through an interlocal agreement under the Urban Cooperations Act of 1967, investment pools organized under the Local Government Investment Pool Act of 1985, and investment pools organized under the Surplus Funds Investment Pools Act of 1982.

Note 2 - Deposits and Investments (Continued)

The City's investment policy further restricts certificates of deposit, savings accounts, deposit accounts, or depository receipts by requiring these investments to be from a bank with a corporate headquarters or branches located in the state of Michigan. The City's policy restricts repurchase agreements to being negotiated only with dealers or financial institutions with whom the unit has negotiated a master repurchase agreement or with the City of Garden City, Michigan's primary bank. In addition, repurchase agreements must be signed with the bank or dealer and must contain provisions similar to those outlined in the Public Security Association's model master repurchase agreement, and collateralization shall be required on all repurchase agreements at a level of 102 percent of market value of principal and accrued interest. The City's policy states that investments in commercial paper shall be no more than 50 percent of the entire portfolio and that commercial paper held in the portfolio which subsequently receives a reduced rating lower than the top two shall be closely monitored and sold immediately if the principal invested may otherwise be jeopardized. In addition, to the extent possible, the investing officer will attempt to match investments with anticipated cash flow requirements and unless matched to a specific cash flow requirement, the City of Garden City, Michigan will not directly invest in securities maturing more than five years from the date of purchase.

The City's policy further indicates that no more than 40 percent of the City's total investment portfolio as of June 30 of the preceding year shall be placed in securities maturing in more than three years and investments will be diversified by security type and institution. With the exception of U.S. Treasury securities and the City's primary bank, no more than 50 percent of the total investment portfolio will be invested in a single security type or 25 percent with a single financial institution.

The City has designated 15 banks for the deposit of its funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 has authorized investment in all of the items described above, except for repurchase agreements and obligations of the State of Michigan or its political subdivisions. The City's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

City of Garden City, Michigan

Notes to Financial Statements June 30, 2012

Note 2 - Deposits and Investments (Continued)

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy does not directly address a deposit policy for custodial risk. At year end, the City had \$8,617,541 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity and, unless matched to a specific cash flow requirement, the City cannot directly invest in securities maturing more than five years from the date of purchase and no more than 40 percent of the City's total investment portfolio can be placed in securities maturing in more than three years. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Commercial paper	\$ 3,999,400	16 days

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City requires two nationally recognized statistical rating organizations to have a rating of the commercial paper in the top two rating categories. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Money market	\$ 2,208,269	N/A	N/A
Money market	251,629	N/A	N/A
Money market	105,264	N/A	N/A
Money market	207,788	N/A	N/A
Commercial paper	999,940	A2	Moody's
Commercial paper	1,499,790	A2	Moody's
Commercial paper	1,499,670	A2	Moody's

City of Garden City, Michigan

Notes to Financial Statements June 30, 2012

Note 3 - Stewardship, Compliance, and Accountability

Construction Code Fees - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. The cumulative shortfall as of June 30, 2012 is \$902,296.

Shortfall at July 1, 2011	\$ (810,597)
Current year permit revenue	376,494
Related expenses - Direct costs	<u>468,193</u>
Current year shortfall	<u>(91,699)</u>
Cumulative shortfall at June 30, 2012	<u>\$ (902,296)</u>

Note 4 - Receivables and Deferred Revenue

Receivables as of year end for the City's individual major fund and the nonmajor funds are as follows:

	General Fund	Nonmajor Funds	Total	Business- type Activities	Downtown Development Authority
Receivables:					
Property taxes receivable	\$ 1,059,260	\$ 83,398	\$ 1,142,658	\$ -	\$ -
Special assessments receivable	26,604	131,446	158,050	-	298,546
Customers and other	<u>750,995</u>	<u>317,948</u>	<u>1,068,943</u>	<u>5,010,381</u>	<u>-</u>
Net receivables	<u>\$ 1,836,859</u>	<u>\$ 532,792</u>	<u>\$ 2,369,651</u>	<u>\$ 5,010,381</u>	<u>\$ 298,546</u>

City of Garden City, Michigan

Notes to Financial Statements June 30, 2012

Note 4 - Receivables and Deferred Revenue (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds - Unavailable
Special assessments	\$ 77,099
Property taxes not received within 60 days	154,417
Grant reimbursements not available in the current period	87,173
Total	<u>\$ 318,689</u>

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2011	Additions	Disposals and Adjustments	Balance June 30, 2012
Governmental Activities				
Capital assets not being depreciated:				
Land and land improvements	\$ 1,414,961	\$ -	\$ -	\$ 1,414,961
Construction in progress	413,506	139,958	(286,599)	266,865
Subtotal	1,828,467	139,958	(286,599)	1,681,826
Capital assets being depreciated:				
Roads and sidewalks	93,410,679	-	-	93,410,679
Buildings and improvements	6,536,224	335,577	(15,000)	6,856,801
Vehicles and equipment	11,461,589	50,447	(629,257)	10,882,779
Subtotal	111,408,492	386,024	(644,257)	111,150,259
Accumulated depreciation:				
Roads and sidewalks	67,725,435	2,290,146	-	70,015,581
Buildings and improvements	2,956,397	123,547	(3,240)	3,076,704
Vehicles and equipment	10,769,247	180,498	(616,256)	10,333,489
Subtotal	81,451,079	2,594,191	(619,496)	83,425,774
Net capital assets being depreciated	29,957,413	(2,208,167)	(24,761)	27,724,485
Net capital assets	<u>\$ 31,785,880</u>	<u>\$ (2,068,209)</u>	<u>\$ (311,360)</u>	<u>\$ 29,406,311</u>

City of Garden City, Michigan

Notes to Financial Statements June 30, 2012

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2011	Additions	Disposals and Adjustments	Balance June 30, 2012
Capital assets not being depreciated - Construction in progress	\$ -	\$ 123,872	\$ -	\$ 123,872
Capital assets being depreciated:				
Water and sewer distribution systems	14,653,761	-	(42,343)	14,611,418
Drain separation project	28,122,982	-	-	28,122,982
Vehicles	1,175,636	22,995	(52,823)	1,145,808
Meters	2,882,051	-	-	2,882,051
Office furnishings	53,819	-	-	53,819
Machinery and equipment	872,582	16,505	-	889,087
Subtotal	47,760,831	39,500	(95,166)	47,705,165
Accumulated depreciation:				
Water and sewer distribution systems	4,154,977	146,974	-	4,301,951
Drain separation project	6,749,517	562,459	-	7,311,976
Vehicles	988,577	39,305	(52,823)	975,059
Meters	861,314	143,980	-	1,005,294
Office furnishings	42,104	1,789	-	43,893
Machinery and equipment	703,810	41,808	-	745,618
Subtotal	13,500,299	936,315	(52,823)	14,383,791
Net capital assets being depreciated	34,260,532	(896,815)	(42,343)	33,321,374
Net capital assets	\$ 34,260,532	\$ (772,943)	\$ (42,343)	\$ 33,445,246
	Balance July 1, 2011	Additions	Disposals	Balance June 30, 2012
Component Units				
Capital assets being depreciated:				
Land improvements	\$ 2,512,400	\$ -	\$ -	\$ 2,512,400
Equipment	97,271	-	-	97,271
Subtotal	2,609,671	-	-	2,609,671
Accumulated depreciation:				
Land improvements	695,060	52,222	-	747,282
Equipment	95,422	925	-	96,347
Subtotal	790,482	53,147	-	843,629
Net capital assets	\$ 1,819,189	\$ (53,147)	\$ -	\$ 1,766,042

City of Garden City, Michigan

Notes to Financial Statements June 30, 2012

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 67,526
Public safety	195,525
Public works	2,296,765
Recreation and culture	34,375
	<u>34,375</u>
Total governmental activities	<u>\$ 2,594,191</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Nonmajor governmental funds	\$ 509,118
Nonmajor governmental funds	Nonmajor governmental funds	<u>2,128</u>
	Total	<u>\$ 511,246</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Transferred From	Fund Transferred To	Amount
General Fund	Nonmajor governmental funds (1)	\$ 30,000
Major Streets Fund	Local Streets Fund (2)	<u>284,719</u>
	Total	<u>\$ 314,719</u>

(1) Transfer for capital asset projects

(2) Transfer of Act 51 money to fund Local Streets Fund projects

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received.

City of Garden City, Michigan

Notes to Financial Statements June 30, 2012

Note 7 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General Obligation - 2004 Limited							
Tax Refunding Bonds:							
Amount of issue: \$3,385,000	4.00% -	\$265,000 -					
Maturing through 2015	4.50%	\$310,000	\$ 1,170,000	\$ -	\$ 265,000	\$ 905,000	\$ 310,000
2001 Sewage Disposal System							
Refunding Bonds:							
Amount of issue: \$2,821,700	4.75% -	\$215,847 -					
Maturing through 2016	4.80%	\$253,769	1,156,544	-	221,683	934,861	247,936
2004 General Obligation Limited							
Tax Refunding Bonds:							
Amount of issue: \$1,090,000	3.50% -	\$2,020 -					
Maturing through 2022	4.20%	\$116,150	735,280	-	97,970	637,310	95,950
2005 General Obligation Limited							
Tax Refunding Bonds:							
Amount of issue: \$2,305,000	4.00% -	\$160,000 -					
Maturing through 2018	5.00%	\$240,000	1,450,000	-	160,000	1,290,000	210,000
2005 General Obligation Limited							
Tax:							
Amount of issue: \$7,500,000	3.50% -	\$500,000 -					
Refunded in 2011	4.00%	\$800,000	5,900,000	-	5,900,000	-	-
2006 General Obligation Limited							
Tax:							
Amount of issue: \$7,480,000	3.50% -	\$130,000 -					
Refunded in 2011	4.00%	\$800,000	5,230,000	-	5,230,000	-	-
2011 General Obligation Tax							
Refunding Bonds							
Amount of issue: \$11,190,000	2.00% -	\$900,000 -					
Maturing through 2020	4.00%	\$1,600,000	-	11,190,000	1,010,000	10,180,000	1,025,000
Installment note:							
Amount of issue: \$99,450		\$18,074 -					
Maturing through 2015	4.79%	\$21,793	99,450	-	18,074	81,376	18,939
Amount of issue: \$42,622		\$9,231					
Maturing through 2014			27,693	-	9,232	18,461	9,231
Less deferred charges on refunding			-	(47,575)	(1,487)	(46,088)	(5,947)
Total bonds and notes payable			15,768,967	11,142,425	12,910,472	14,000,920	1,911,109
Self-insurance claims			328,925	488,594	-	817,519	-
Compensated absences			839,450	-	24,946	814,504	314,625
Total governmental activities			<u>\$16,937,342</u>	<u>\$11,631,019</u>	<u>\$12,935,418</u>	<u>\$15,632,943</u>	<u>\$ 2,225,734</u>

City of Garden City, Michigan

Notes to Financial Statements June 30, 2012

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
1998 Development Bonds (limited tax general obligation):							
Amount of issue: \$540,000	4.60% -	\$35,820 -					
Refunded in 2011	5.00%	\$45,030	\$ 331,318	\$ -	\$ 331,318	\$ -	\$ -
2001 Sewage Disposal System Refunding Bonds:							
Amount of issue: \$6,908,300	4.50% -	\$524,153 -					
Maturing through 2016	4.80%	\$641,021	2,808,456	-	538,317	2,270,139	602,064
State Revolving Fund Debt:							
Amount of issue: \$2,435,000	2.00% -	\$101,000 -					
Maturing through 2016	2.25%	\$121,000	537,933	-	101,000	436,933	106,000
2004 General Obligation Limited Tax Refunding Bonds:							
Amount of issue: \$4,295,000	3.375% -	\$7,980 -					
Maturing through 2022	4.20%	\$458,850	2,904,720	-	387,030	2,517,690	379,050
2008 General Obligation Limited Tax:							
Amount of issue: \$1,610,000	3.75% -	\$50,000 -					
Maturing through 2028	4.50%	\$125,000	1,535,000	-	50,000	1,485,000	60,000
2011 General Obligation Limited Tax Refunding Bonds:							
Amount of Issue: \$314,321	2.00% -	\$42,089 -					
Maturing through 2019	3.00%	\$48,357	-	314,321	-	314,321	42,089
Less deferred charges on refunding			(35,376)	(7,307)	(18,470)	(24,213)	(18,733)
Total bonds payable			8,082,051	307,014	1,389,195	6,999,870	1,170,470
Compensated absences			74,158	29,883	-	104,041	104,041
Total business-type activities			\$ 8,156,209	\$ 336,897	\$ 1,389,195	\$ 7,103,911	\$ 1,274,511
Component Unit Activities							
1998 Development Bonds:							
Amount of issue: \$2,460,000	4.60% -	\$164,180 -					
Refunded in 2011	5.00%	\$205,225	\$ 1,518,591	\$ -	\$ 1,518,591	\$ -	\$ -
2011 General Obligation Limited Tax Refunding Bonds:							
Amount of issue: \$1,440,681	2.00% -	\$192,912 -					
Maturing through 2019	3.00%	\$221,643	-	1,440,680	-	1,440,680	192,912
Less deferred charges on refunding			-	(33,488)	(3,588)	(29,900)	(4,784)
Total bonds payable			\$ 1,518,591	\$ 1,407,192	\$ 1,515,003	\$ 1,410,780	\$ 188,128

City of Garden City, Michigan

Notes to Financial Statements June 30, 2012

Note 7 - Long-term Debt (Continued)

Total interest related to governmental and business-type activities for the year approximated \$567,000 and \$299,000, respectively. Total interest incurred related to component units for the year approximated \$52,000.

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 1,917,056	\$ 322,032	\$ 2,239,088	\$ 1,189,203	\$ 257,083	\$ 1,446,286	\$ 192,912	\$ 30,989	\$ 223,901
2014	1,906,877	272,309	2,179,186	1,249,395	207,545	1,456,940	188,807	27,172	215,979
2015	2,061,225	212,364	2,273,589	1,218,930	157,883	1,376,813	221,643	23,067	244,710
2016	1,968,790	149,307	2,118,097	1,209,418	112,006	1,321,424	217,539	18,675	236,214
2017	1,667,020	99,793	1,766,813	129,546	86,533	216,079	213,434	13,832	227,266
2018-2022	4,526,040	144,891	4,670,931	1,350,410	299,389	1,649,799	406,345	11,616	417,961
2023-2027	-	-	-	550,000	92,875	642,875	-	-	-
2028-2032	-	-	-	127,181	11,250	138,431	-	-	-
Total	\$ 14,047,008	\$ 1,200,696	\$ 15,247,704	\$ 7,024,083	\$ 1,224,564	\$ 8,248,647	\$ 1,440,680	\$ 125,351	\$ 1,566,031

No Commitment Debt

Excluded from long-term debt are revenue bonds issued by the City of Garden City Hospital Financing Authority to acquire and lease property to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements. As of the balance sheet date, there were two series of such bonds outstanding, with total principal outstanding of approximately \$53,070,000. Information regarding the status of the bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source.

Current Refundings

During the year, the City issued \$11,190,000 in Unlimited Tax General Obligation Refunding Bonds with interest rates ranging from 2.00 percent to 4.00 percent. The proceeds of these bonds were used to advance refund \$5,900,000 of outstanding Series 2005 general obligation bonds and \$5,230,000 of outstanding Series 2006 general obligation bonds with interest rates ranging from 3.50 percent to 4.00 percent. The net proceeds of \$11,177,575 after payment of underwriting fees, insurance, and other issuance costs were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the governmental long-term debt account group. The advance refunding reduced total debt service payments over the next nine years by approximately \$356,000, which represents an economic gain of approximately \$314,000.

Note 7 - Long-term Debt (Continued)

Also, during the year, the City issued \$1,755,000 in Limited Tax General Obligation Refunding Bonds with interest rates ranging from 2.00 percent to 3.00 percent. The proceeds of these bonds were used to advance refund \$1,650,000 of outstanding general obligation bonds with interest rates ranging from 4.80 to 5.00 percent. The net proceeds of \$1,690,704 after payment of underwriting fees, insurance, and other issuance costs were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the governmental long-term debt account group. The advance refunding reduced total debt service payments over the next seven years by approximately \$67,000, which represents an economic gain of approximately \$61,000.

Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefit claims and participates in the Michigan Municipal Risk Management Authority for claims relating to general liabilities; the City is uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

City of Garden City, Michigan

Notes to Financial Statements June 30, 2012

Note 8 - Risk Management (Continued)

The City estimates the liability for general liability and workers' compensation claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	General Liability		Workers' Compensation	
	2012	2011	2012	2011
Unpaid claims - Beginning of year	\$ 158,551	\$ 101,830	\$ 170,374	\$ 180,543
Estimated claims incurred, including changes in estimates	569,587	106,933	55,952	95,794
Deposits at the Authority to fund claims	55,182	55,258	-	-
Claim payments	(45,620)	(105,470)	(146,507)	(105,963)
Unpaid claims - End of year	<u>\$ 737,700</u>	<u>\$ 158,551</u>	<u>\$ 79,819</u>	<u>\$ 170,374</u>

Note 9 - Defined Benefit Pension Plan

Plan description - The City participates in the Michigan Municipal Employees' Retirement System (the "System" or MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the MERS for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 5 percent for IAFF members and 6 percent of gross wages for all other members.

Annual Pension Cost - For the year ended June 30, 2012, the City's annual pension cost of \$1,062,459 was equal to the City's required and actual contribution. The annual required contribution was determined as part of an initial valuation at December 31, 2010 to compute contributions related to the MERS plan.

The MERS valuation uses the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return and (b) projected salary increases of 4.5 to 12.9 percent per year. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 25 years.

City of Garden City, Michigan

Notes to Financial Statements June 30, 2012

Note 9 - Defined Benefit Pension Plan (Continued)

The pension cost for the three most recent years is as follows:

Three-year Trend Information

	Fiscal Year Ended June 30		
	2012	2011	2010
Annual pension cost (APC)	\$ 1,062,459	\$ 1,206,622	\$ 1,457,651
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -

	Valuation Date as of		
	December 31, 2010	June 30, 2009	June 30, 2008
Actuarial value of assets	\$ 56,048,316	\$ 59,491,791	\$ 60,371,083
Actuarial accrued liability (AAL) (entry age)	\$ 71,516,007	\$ 67,719,464	\$ 65,395,803
Unfunded AAL (UAAL)	\$ 15,467,691	\$ 8,227,673	\$ 5,024,720
Funded ratio	78.4 %	87.9 %	92.3 %
Covered payroll	\$ 6,035,482	\$ 7,068,760	\$ 6,767,719
UAAL as a percentage of covered payroll	256.3 %	116.4 %	74.2 %

Note 10 - Defined Benefit Pension Plan - District Court Employees

Plan Description - The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension system that covers 21st District Court employees of the City. MERS provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplemental information for MERS. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute and maintain MERS for these employees was established by negotiation with the Court's competitive bargaining unit and requires no contribution from the employees.

Annual Pension Cost - The 21st District Court employees joined MERS effective January 1, 2007. For the year ended June 30, 2012, the City's annual pension cost of \$52,073 for the plan was equal to the City's required and actual contribution. The pension cost for the three most recent years is as follows:

City of Garden City, Michigan

Notes to Financial Statements June 30, 2012

Note 10 - Defined Benefit Pension Plan - District Court Employees (Continued)

Three-year Trend Information

	Fiscal Year Ended June 30		
	2012	2011	2010
Annual pension cost (APC)	\$ 52,073	\$ 64,523	\$ 42,222
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of December 31		
	2010	2009	2008
Actuarial value of assets	\$ 1,348,700	\$ 1,218,619	\$ 1,096,712
Actuarial accrued liability (AAL) (entry age)	\$ 1,526,933	\$ 1,513,720	\$ 1,433,593
Unfunded AAL (UAAL)	\$ 178,233	\$ 295,101	\$ 336,881
Funded ratio	88.3 %	80.5 %	76.5 %
Covered payroll	\$ 312,919	\$ 327,865	\$ 300,852
UAAL as a percentage of covered payroll	57.0 %	90.0 %	112.0 %

Actuarial Methods and Assumptions - In the December 31, 2010 actuarial valuation (the most recent actuarial valuation), the entry age normal cost method was used. Significant actuarial assumptions used include (a) an 8 percent investment rate of return and (b) projected salary increases of 4.5 percent to 12.90 percent per year. Both (a) and (b) include an inflation component of 4.5 percent. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 28 years.

Note 11 - Other Postemployment Benefits

Plan Description - The City provides retiree healthcare benefits to eligible employees and their spouses. Benefits are provided to public safety and general employees in accordance with labor contracts. Currently, the plan has 249 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

City of Garden City, Michigan

Notes to Financial Statements June 30, 2012

Note 11 - Other Postemployment Benefits (Continued)

This is a single employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement.

Funding Policy - The collective bargaining agreement requires no contribution by employees, but is funded solely by the City. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). The costs of administering the plan are borne by the City's General Fund.

Funding Progress - For the year ended June 30, 2012, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2011. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 6,470,740
Interest on the prior year's net OPEB obligation	203,325
Less adjustment to the annual required contribution	<u>(194,943)</u>
Annual OPEB cost	6,479,122
Amounts contributed - Payments of current premiums	<u>(2,422,791)</u>
Increase in net OPEB obligation	4,056,331
OPEB obligation - Beginning of year	<u>6,777,511</u>
OPEB obligation - End of year	<u>\$ 10,833,842</u>

Employer contributions and annual OPEB cost data for the current and two preceding years were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Annual OPEB Costs	Employer Contributions		Net OPEB Obligation
				Percentage of ARC Contributed	Percentage of OPEB Costs Contributed	
6/30/09	6/30/09	\$ 3,409,322	\$ 3,409,322	54.0 %	54.0 %	\$ 1,554,236
6/30/10	6/30/09	3,409,322	3,434,959	60.4 %	59.9 %	2,930,639
6/30/11	6/30/11	6,470,740	6,442,453	40.1 %	40.3 %	6,777,511
6/30/12	6/30/11	6,470,740	6,479,122	37.4 %	37.4 %	10,833,842

* The required contribution is expressed to the City as a percentage of payroll.

Note 11 - Other Postemployment Benefits (Continued)

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/09	\$ -	\$ 46,230,599	\$ 46,230,599	-	\$ 6,806,393	679.2 %
6/30/11	-	104,164,324	104,164,324	-	5,290,442	1,968.9

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after seven years. Both rates included a 4.5 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012 was 29 years.

Note 12 - Joint Ventures

The City is a member of the Nankin Transit Commission, which provides transportation services to residents of Garden City, Westland, Canton, Wayne, and Inkster. The participating communities provide annual funding for its operations. During the current year, the City contributed \$34,000 for its operations. The City has no material equity interest in the Nankin Transit Commission at June 30, 2012. The City is unaware of any circumstances that would cause an additional significant benefit or burden to the participating governments in the near future. Complete financial statements for the Nankin Transit Commission can be obtained from the administrative offices at 37137 Marquette, Westland, Michigan 48185.

The City is also a member of the Central Wayne County Sanitation Authority (the "Sanitation Authority"). The City appoints one member to the joint venture's governing board, which approves the annual budget. The debt of the joint venture, including the postclosure costs, is being financed by operations and member millage. The postclosure liability will be funded over the next 28 years as the costs come due. During the current year, the Sanitation Authority's combined net assets decreased by approximately \$18,000. As a result, the Sanitation Authority has a net deficit of approximately \$27,000 as of June 30, 2012.

The City contributed \$445,548 for sanitation costs passed through the Sanitation Authority. In addition, the City recorded a liability related to the Sanitation Authority of \$3,571 in the government-wide statement of net assets. The City is unaware of any circumstances that would cause an additional significant benefit or burden to the participating governments in the near future. Complete financial statements for the Sanitation Authority can be obtained from the administrative offices at 28200 S. Huron Road, Flat Rock, MI 48134.

Note 13 - Contingent Liabilities

The Michigan Department of Environmental Quality (MDEQ) is currently requiring the City to upgrade its sewer system in order to meet certain mandated federal requirements on water purity. Based on the parameters communicated by MDEQ, the City engineers have estimated the cost to the City for this upgrade to be approximately \$40 million. The County of Wayne is currently working on a regional approach for all Wayne County communities with similar requirements, which City management believes will significantly reduce the cost of the sewer system upgrade.

Note 14 - Upcoming Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. This pronouncement, which is an amendment to Statement No. 14 and Statement No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the City's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the City as of June 30, 2014.

Note 14 - Upcoming Accounting Pronouncements (Continued)

In June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans*, was issued by the Governmental Accounting Standards Board. This new standard, which replaces the requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, establishes standards for financial reporting that outline the basic framework for separately issued pension plan financial reports and specifies the required approach to measuring the liability of employers and certain nonemployer contributing entities, about which information is required to be disclosed. GASB Statement No. 67 is required to be adopted for years beginning after June 15, 2013. For the City of Garden City, Michigan, this standard will be adopted for the year ending June 30, 2014.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2014.

Required Supplemental Information

City of Garden City, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 8,501,932	\$ 8,501,932	\$ 8,427,212	\$ (74,720)
Licenses and permits	35,000	35,000	27,503	(7,497)
Federal sources	256,136	251,136	358,414	107,278
State sources	4,293,991	4,369,818	4,615,316	245,498
Charges for services	1,122,480	1,141,742	1,269,988	128,246
21st District Court	581,000	581,000	801,377	220,377
Interest and other	358,671	358,671	383,738	25,067
Cable franchise fees	510,000	510,000	520,993	10,993
Special assessments	-	12,981	12,777	(204)
Total revenue	<u>15,659,210</u>	<u>15,762,280</u>	<u>16,417,318</u>	<u>655,038</u>
Expenditures				
Current:				
General government:				
Mayor and Council	33,309	40,900	34,954	5,946
Boards and commissions	44,822	61,149	33,419	27,730
Clerk/Treasurer	702,536	721,736	686,577	35,159
General government services	3,418,376	3,361,004	2,980,128	380,876
City administration	278,355	278,086	235,098	42,988
Total general government	<u>4,477,398</u>	<u>4,462,875</u>	<u>3,970,176</u>	<u>492,699</u>
21st District Court	653,033	675,891	635,932	39,959
Public safety:				
Police department	4,385,652	4,385,652	4,182,341	203,311
Fire department	2,208,915	2,208,915	2,242,911	(33,996)
Total public safety	<u>6,594,567</u>	<u>6,594,567</u>	<u>6,425,252</u>	<u>169,315</u>
Department of public service	1,229,215	1,234,590	1,218,983	15,607
Recreation and culture	1,670,197	1,748,957	1,430,131	318,826
Debt service	932,761	932,761	933,256	(495)
Total expenditures	<u>15,557,171</u>	<u>15,649,641</u>	<u>14,613,730</u>	<u>1,035,911</u>
Excess of Revenue Over Expenditures	102,039	112,639	1,803,588	1,690,949
Other Financing Uses - Transfers out	<u>(262,039)</u>	<u>(369,861)</u>	<u>(246,341)</u>	<u>123,520</u>
Net Change in Fund Balance	(160,000)	(257,222)	1,557,247	1,814,469
Fund Balance - Beginning of year	<u>1,885,369</u>	<u>1,885,369</u>	<u>1,885,369</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 1,725,369</u>	<u>\$ 1,628,147</u>	<u>\$ 3,442,616</u>	<u>\$ 1,814,469</u>

City of Garden City, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Streets Fund Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State sources	\$ 1,123,215	\$ 1,123,215	\$ 1,140,728	\$ 17,513
Interest and other	12,742	12,742	11,894	(848)
Total revenue	1,135,957	1,135,957	1,152,622	16,665
Expenditures - Current - Public service	2,373,765	2,450,681	453,854	1,996,827
Excess of Revenue (Under) Over Expenditures	(1,237,808)	(1,314,724)	698,768	2,013,492
Other Financing Uses - Transfers out	(280,804)	(280,804)	(284,719)	(3,915)
Net Change in Fund Balance	(1,518,612)	(1,595,528)	414,049	2,009,577
Fund Balance - Beginning of year	3,281,343	3,281,343	3,281,343	-
Fund Balance - End of year	<u>\$ 1,762,731</u>	<u>\$ 1,685,815</u>	<u>\$ 3,695,392</u>	<u>\$ 2,009,577</u>

City of Garden City, Michigan

Note to Required Supplemental Information Year Ended June 30, 2012

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds, with the following exceptions:

- Some operating transfers have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)."
- Reimbursements from other funds have been included in revenue, rather than as a reduction of expenditures.

The budget statements are presented on the same basis of accounting used in preparing the adopted budget. All annual appropriations lapse at fiscal year end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- On or before the first day of April, the city manager must submit a budget for the ensuing fiscal year to the City Council at a regular council meeting.
- Public hearings are conducted to obtain citizen comment.
- The budget must be adopted by ordinance on or before the 20th day of May of the fiscal year currently ending.

During the year, the budget was amended in a legally permissible manner with the exception of budget amendments made in July 2012.

For most funds, including the General Fund, the budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. The budgets for other funds are adopted at the fund level. A comparison of actual results of operations to the General Fund budget and major special revenue fund budget as adopted by the City Council is included in the required supplemental information. This comparison includes expenditure budget overruns. A comparison of the actual results of operations to the nonmajor special revenue funds' budgets as adopted by the City Council is available at the clerk's office for inspection.

A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is shown below. This reconciliation illustrates the effects of GASB Statement No. 54 on the General Fund as funds that were previously considered to be special revenue funds are now included in the General Fund on the fund-based statements.

City of Garden City, Michigan

Note to Required Supplemental Information (Continued)

	Total Revenue	Total Expenditures	Other Financing Sources (Uses)
General Fund:			
Amounts per operating statement	\$ 16,836,354	\$ 15,284,476	\$ (30,000)
790 - Library	(40,655)	(214,746)	(199,122)
282 - Incinerator improvement	-	-	1,445
249 - Building department	(376,494)	(468,193)	(90,739)
736 - Retiree health care	(1,416)	-	(50,000)
896 - Special assessment bond	(471)	(5,725)	122,075
Amounts per budget statement	<u>\$ 16,417,318</u>	<u>\$ 14,595,812</u>	<u>\$ (246,341)</u>

During the year, the City of Garden City incurred the following expenditures that were in excess of the amounts budgeted in the General Fund:

	Budget	Actual	Variance
Fire Department (1)	\$ 2,208,915	\$ 2,242,225	\$ (33,310)
Debt Service (2)	932,761	933,256	(495)

Amounts were in excess of the amounts budgeted for the following reasons:

- (1) Salaries and wages exceeded budgeted amount
- (2) Agent fees were included in actual expenditures but were not budgeted for

Fund Deficits - The City has a deficit in the Maplewood II Fund at June 30, 2012 due to revenue that will not be received within 60 days of year end. The receivable for these monies was recorded along with the corresponding deferred revenue at June 30, 2012. The receivable in these funds will be collected over several years as part of a special assessment.

The City also has a deficit in the Community Development Block Grant Fund (CDBG Fund) due to revenue that will not be received within 60 days of year end. The receivable will be collected during the current fiscal year.

The City also has a deficit in the Lighting Assessment Fund due to revenue that will not be received within 60 days of year end. The receivable will be collected during the current fiscal year.

The City also has a deficit in the Debt Service Fund due to liabilities due to other funds. The deficit will be eliminated by future tax collections.

The City also has a deficit in the Rubbish Collection Assessment Fund due to expenses exceeding revenues. The deficit will be eliminated by a transfer of the restricted refuse levy fund balance in the General Fund and future collection fees.

Other Supplemental Information

City of Garden City, Michigan

	Special Revenue Funds						
	248 -						
	203 - Local Streets	233 - 911	Community Development Block Grant	296 - Rehabilitation Revolving	264 - Police Drug Confiscations	235 - Franchise Peg Fees	219 - Street Lighting Assessment
Assets							
Cash and investments	\$ 1,004,073	\$ 152,576	\$ -	\$ 15,458	\$ 86,795	\$ 105,770	\$ -
Receivables	-	33,053	264,960	1,300	-	18,635	78,442
Due from other funds	-	-	2,128	-	-	-	-
Prepaid expenditures and other assets	-	-	-	-	-	2,244	-
Due from other governmental units	151,792	-	-	-	-	-	-
Total assets	\$ 1,155,865	\$ 185,629	\$ 267,088	\$ 16,758	\$ 86,795	\$ 126,649	\$ 78,442
Liabilities and Fund Balances (Deficit)							
Liabilities							
Accounts payable	\$ 2,752	\$ -	\$ 1,428	\$ -	\$ -	\$ 4,420	\$ 41,701
Due to other funds	-	-	265,660	2,128	-	-	36,801
Deferred revenue	-	-	87,173	-	-	-	-
Total liabilities	2,752	-	354,261	2,128	-	4,420	78,502
Fund Balances (Deficit)							
Nonspendable - Prepays	-	-	-	-	-	2,244	-
Restricted:							
Roads	1,153,113	-	-	-	-	-	-
Public safety	-	185,629	-	-	86,795	-	-
Housing rehabilitation	-	-	-	14,630	-	-	-
Capital projects	-	-	-	-	-	-	-
PEG fees	-	-	-	-	-	119,985	-
Assigned - Capital projects	-	-	-	-	-	-	-
Unassigned	-	-	(87,173)	-	-	-	(60)
Total fund balances (deficit)	1,153,113	185,629	(87,173)	14,630	86,795	122,229	(60)
Total liabilities and fund balances (deficit)	\$ 1,155,865	\$ 185,629	\$ 267,088	\$ 16,758	\$ 86,795	\$ 126,649	\$ 78,442

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012**

Debt Service Funds	Capital Projects Funds				Total
301 - Debt Retirement	401 - Capital Projects	436 - District Court Building Fund	852 - Maplewood Road	853 - Maplewood II	Nonmajor Governmental Funds
\$ -	\$ 96,839	\$ 268,654	\$ 22,429	\$ -	\$ 1,752,594
83,398	-	-	6,915	46,089	532,792
-	-	-	-	-	2,128
-	-	-	-	-	2,244
-	-	-	-	-	151,792
\$ 83,398	\$ 96,839	\$ 268,654	\$ 29,344	\$ 46,089	\$ 2,441,550
\$ -	\$ 10,406	\$ -	\$ -	\$ -	\$ 60,707
180,401	-	-	-	26,256	511,246
5,671	-	-	5,259	45,620	143,723
186,072	10,406	-	5,259	71,876	715,676
-	-	-	-	-	2,244
-	-	-	-	-	1,153,113
-	-	-	-	-	272,424
-	-	-	-	-	14,630
-	-	-	24,085	-	24,085
-	-	-	-	-	119,985
-	86,433	268,654	-	-	355,087
(102,674)	-	-	-	(25,787)	(215,694)
(102,674)	86,433	268,654	24,085	(25,787)	1,725,874
\$ 83,398	\$ 96,839	\$ 268,654	\$ 29,344	\$ 46,089	\$ 2,441,550

City of Garden City, Michigan

	Special Revenue Funds						
	203 - Local Streets	248 - Community Development Block Grant	296 - Rehabilitation Revolving	264 - Police Drug Confiscations	235 - Franchise Peg Fees	219 - Street Lighting Assessment	
Revenue							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	205,617	14,540	-	-	-
State sources	459,295	-	-	-	-	-	-
Charges for services	76,337	-	-	-	-	-	-
Interest and other	5,330	173,763	-	-	29,075	73,912	-
Special assessments	-	-	-	-	-	-	503,197
Total revenue	540,962	173,763	205,617	14,540	29,075	73,912	503,197
Expenditures							
Current:							
Public safety	-	130,001	-	-	2,565	-	-
Community maintenance, development, and other	798,209	-	142,572	-	-	91,887	503,257
Capital outlay	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	798,209	130,001	142,572	-	2,565	91,887	503,257
Excess of Revenue (Under) Over Expenditures	(257,247)	43,762	63,045	14,540	26,510	(17,975)	(60)
Other Financing Sources (Uses)							
Face value of debt issue	-	-	-	-	-	-	-
Transfers in	284,719	-	-	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-	-	-	-
Total other financing sources	284,719	-	-	-	-	-	-
Net Change in Fund Balances	27,472	43,762	63,045	14,540	26,510	(17,975)	(60)
Fund Balances (Deficit) - Beginning of year	1,125,641	141,867	(150,218)	90	60,285	140,204	-
Fund Balances (Deficit) - End of year	\$ 1,153,113	\$ 185,629	\$ (87,173)	\$ 14,630	\$ 86,795	\$ 122,229	\$ (60)

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances (Deficit)
Nonmajor Governmental Funds
Year Ended June 30, 2012

Debt Service Funds		Capital Projects Funds			Total Nonmajor Governmental Funds
301 - Debt Retirement	401 - Capital Projects	436 - District Court Building Fund	852 - Maplewood Road	853 - Maplewood II	
\$ 1,278,344	\$ -	\$ -	\$ -	\$ -	\$ 1,278,344
-	-	-	-	-	220,157
-	-	-	-	-	459,295
-	-	-	-	-	76,337
1,021	318	48,489	187	80	332,175
-	-	-	16,381	27,938	547,516
<u>1,279,365</u>	<u>318</u>	<u>48,489</u>	<u>16,568</u>	<u>28,018</u>	<u>2,913,824</u>
-	-	-	-	-	132,566
-	-	-	-	-	1,535,925
-	19,860	-	-	-	19,860
<u>1,401,861</u>	<u>22,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,424,698</u>
<u>1,401,861</u>	<u>42,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,113,049</u>
(122,496)	(42,379)	48,489	16,568	28,018	(199,225)
11,190,000	-	-	-	-	11,190,000
-	30,000	-	-	-	314,719
<u>(11,177,575)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,177,575)</u>
<u>12,425</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>327,144</u>
(110,071)	(12,379)	48,489	16,568	28,018	127,919
<u>7,397</u>	<u>98,812</u>	<u>220,165</u>	<u>7,517</u>	<u>(53,805)</u>	<u>1,597,955</u>
<u>\$ (102,674)</u>	<u>\$ 86,433</u>	<u>\$ 268,654</u>	<u>\$ 24,085</u>	<u>\$ (25,787)</u>	<u>\$ 1,725,874</u>

City of Garden City, Michigan

Other Supplemental Information Balance Sheet Modified Accrual Basis Downtown Development Authority June 30, 2012

Assets

Cash and investments	\$	554,843
Receivables - Net		298,546
Prepaid costs and other assets		900
		<hr/>
Total assets	\$	854,289

Liabilities and Equity

Liabilities

Accounts payable	\$	6,190
Accrued and other liabilities		380
Deferred revenue		294,871
		<hr/>
Total liabilities		301,441

Equity - Fund balance - Unassigned

		<hr/>
		552,848
		<hr/>
Total liabilities and equity	\$	854,289

City of Garden City, Michigan

Other Supplemental Information Statement of Revenue, Expenditures, and Changes in Fund Balance Modified Accrual Basis Downtown Development Authority Year Ended June 30, 2012

Revenue	
Property taxes	\$ 470,242
Interest and other	40,143
Total revenue	<u>510,385</u>
Expenditures - Current	
Community maintenance, development, and other	370,707
Debt service	215,708
Total expenditures	<u>586,415</u>
Face Value of Debt Issue	1,440,680
Payment to Bond Refunding Escrow Agent	<u>(1,387,899)</u>
Excess of Expenditures Over Revenue	(23,249)
Fund Balance - Beginning of year	<u>576,097</u>
Fund Balance - End of year	<u><u>\$ 552,848</u></u>

City of Garden City, Michigan

Schedule of Indebtedness Governmental Activities Limited Tax Bonds Year Ended June 30, 2012

Purpose: 2004 General Obligation Limited Tax Refunding Bonds
 Date of issue: June 2, 2004
 Amount of issue: \$3,385,000
 Payee: Cede & Co.
 Funds paid from: 101 - General Fund

Fiscal Year	Maturity Amount	Interest		Total
		Rate (Percent)	Amount	
2012/2013	\$ 310,000	4.10	\$ 39,485	\$ 349,485
2013/2014	300,000	4.50	26,775	326,775
2014/2015	295,000	4.50	13,275	308,275
Total	\$ 905,000		\$ 79,535	\$ 984,535

City of Garden City, Michigan

Schedule of Indebtedness Governmental Activities Limited Tax Bonds (Continued) Year Ended June 30, 2012

Purpose: 2005 General Obligation Limited Tax Refunding Bonds
 Date of issue: August 24, 2005
 Amount of issue: \$2,305,000
 Payee: J.P. Morgan Chase
 Funds paid from: 101 - General Fund

Fiscal Year	Maturity Amount	Interest		Total
		Rate (Percent)	Amount	
2012/2013	\$ 210,000	5.000	\$ 54,500	\$ 264,500
2013/2014	205,000	5.000	44,125	249,125
2014/2015	200,000	5.000	34,000	234,000
2015/2016	200,000	5.000	24,000	224,000
2016/2017	240,000	4.000	14,200	254,200
2017/2018	235,000	4.000	4,700	239,700
Total	\$ 1,290,000		\$ 175,525	\$ 1,465,525

City of Garden City, Michigan

Schedule of Indebtedness Governmental Activities Limited Tax Bonds (Continued) Year Ended June 30, 2012

Purpose: 2011 Judgment Bond Refunding
 Date of issue: October 11, 2011
 Amount of issue: \$11,190,000
 Payee: Huntington National Bank, Grand Rapids, MI
 Funds paid from: 301 - Debt Retirement Fund

Fiscal Year	Maturity Amount	Interest		Total
		Rate (Percent)	Amount	
2012/2013	\$ 1,025,000	2.00	\$ 326,725	\$ 1,351,725
2013/2014	1,015,000	4.00	306,225	1,321,225
2014/2015	1,215,000	4.00	265,625	1,480,625
2015/2016	1,415,000	4.00	217,025	1,632,025
2016/2017	1,425,000	2.50	160,425	1,585,425
2017/2018	1,600,000	3.00	124,800	1,724,800
2018/2019	1,585,000	3.00	76,800	1,661,800
2019/2020	900,000	3.25	29,250	929,250
Total	<u>\$10,180,000</u>		<u>\$1,506,875</u>	<u>\$ 11,686,875</u>

City of Garden City, Michigan

Schedule of Indebtedness Business Activities Obligation Bonds Year Ended June 30, 2012

Purpose: 2008 General Obligation Limited Tax Bond
 Date of issue: January 28, 2008
 Amount of issue: \$1,610,000
 Payee: Bank of New York
 Funds paid from: 592 - Water and Sewer Fund

Fiscal Year	Maturity Amount	Interest Rate (Percent)	Interest Expense	Total
2012/2013	\$ 60,000	3.750	\$ 62,219	\$ 122,219
2013/2014	75,000	4.000	59,594	134,594
2014/2015	75,000	4.000	56,594	131,594
2015/2016	75,000	4.000	53,594	128,594
2016/2017	75,000	4.500	50,406	125,406
2017/2018	75,000	4.500	47,031	122,031
2018/2019	75,000	4.125	43,797	118,797
2019/2020	100,000	4.125	40,188	140,188
2020/2021	100,000	4.125	36,063	136,063
2021/2022	100,000	4.125	31,938	131,938
2022/2023	100,000	4.250	27,750	127,750
2023/2024	100,000	4.250	23,500	123,500
2024/2025	100,000	4.500	19,125	119,125
2025/2026	125,000	4.500	14,063	139,063
2026/2027	125,000	4.500	8,438	133,438
2027/2028	125,000	4.500	2,813	127,813
Total	<u>\$1,485,000</u>		<u>\$ 577,113</u>	<u>\$ 2,062,113</u>

City of Garden City, Michigan

Schedule of Indebtedness Business Activities Obligation Bonds (Continued) Year Ended June 30, 2012

Purpose: 2001 Sewage Disposal System Refunding Bonds
 Date of issue: June 7, 2001
 Amount of issue: \$9,730,000
 Payee: Chase Bank, Detroit, MI
 Funds paid from: 101 - General Fund and 592 - Water and Sewer Fund

Fiscal Year	Maturity Allocation			Interest Rate (Percent)	Total Interest Expense	Interest Allocation		Total Principal and Interest
	Total Maturity Amount	General Fund	Enterprise Fund			General Fund	Enterprise Fund	
2012/2013	\$ 850,000	\$ 247,936	\$ 602,064	4.750	\$ 132,047	\$ 38,517	\$ 93,530	\$ 982,047
2013/2014	870,000	253,769	616,231	4.750	91,198	26,601	64,597	961,198
2014/2015	745,000	217,308	527,692	4.700	53,027	15,467	37,560	798,027
2015/2016	740,000	215,848	524,152	4.800	17,760	5,180	12,580	757,760
Total	<u>\$ 3,205,000</u>	<u>\$ 934,861</u>	<u>\$ 2,270,139</u>		<u>\$ 294,032</u>	<u>\$ 85,765</u>	<u>\$ 208,267</u>	<u>\$ 3,499,032</u>

City of Garden City, Michigan

Schedule of Indebtedness Business-type and Component Unit Development Bonds Year Ended June 30, 2012

Purpose: 2004 General Obligation Limited Tax Refunding Bonds
 Date of issue: November 4, 2004
 Amount of issue: \$5,385,000
 Funds paid from: 101 - General Fund and 592 - Water and Sewer Fund

Fiscal Year	Total Maturity Amount	Maturity Allocation		Interest Rate (Percent)	Total Interest Expense	Interest Allocation		Total Principal and Interest
		General Fund	Enterprise Fund			General Fund	Enterprise Fund	
2012/2013	\$ 475,000	\$ 95,950	\$ 379,050	3.500	\$ 110,247	\$ 22,270	\$ 87,977	\$ 585,247
2013/2014	515,000	104,030	410,970	3.625	92,599	18,705	73,894	607,599
2014/2015	560,000	113,120	446,880	3.625	73,115	14,769	58,346	633,115
2015/2016	575,000	116,150	458,850	3.700	52,327	10,570	41,757	627,327
2016/2017	10,000	2,020	7,980	4.000	41,490	8,381	33,109	51,490
2017/2018	10,000	2,020	7,980	4.000	41,090	8,300	32,790	51,090
2018/2019	260,000	52,520	207,480	4.000	35,690	7,209	28,481	295,690
2019/2020	255,000	51,510	203,490	4.000	25,390	5,129	20,261	280,390
2020/2021	250,000	50,500	199,500	4.000	15,290	3,089	12,201	265,290
2021/2022	245,000	49,490	195,510	4.200	5,145	1,039	4,106	250,145
Total	\$ 3,155,000	\$ 637,310	\$ 2,517,690		\$ 492,383	\$ 99,461	\$ 392,922	\$ 3,647,383

City of Garden City, Michigan

Schedule of Indebtedness Business-type and Component Unit Development Bonds (Continued) Year Ended June 30, 2012

Purpose: 2011 Downtown Development Authority Refunding Bonds
 Date of issue: October 31, 2011
 Amount of issue: \$1,755,00
 Payee: Huntington National Bank, Grand Rapids, MI
 Funds paid from: 592 - Water and Sewer Fund and 729 - Downtown Development Authority

Fiscal Year	Maturity Allocation			Interest Rate (Percent)	Total Interest Expense	Interest Allocation		Total
	Total Maturity Amount	Component Unit (DDA)	Enterprise Fund			Component Unit (DDA)	Enterprise Fund	
2012/2013	\$ 235,000	\$ 192,912	\$ 42,088	2.00	\$ 38,200	\$ 31,358	\$ 6,842	\$ 273,200
2013/2014	230,000	188,807	41,193	4.85	33,100	27,172	5,928	263,100
2014/2015	270,000	221,643	48,357	5.00	28,100	23,067	5,033	298,100
2015/2016	265,000	217,539	47,461	5.00	22,750	18,675	4,075	287,750
2016/2017	260,000	213,434	46,566	5.00	16,850	13,832	3,018	276,850
2017/2018	250,000	205,225	44,775	5.00	10,475	8,599	1,876	260,475
2018/2019	245,000	201,120	43,880	5.00	3,675	3,017	658	248,675
Total	<u>\$ 1,755,000</u>	<u>\$ 1,440,680</u>	<u>\$ 314,320</u>		<u>\$ 153,150</u>	<u>\$ 125,720</u>	<u>\$ 27,430</u>	<u>\$ 1,908,150</u>

State Revolving Fund Debt*

\$ 537,933

* This represents the remaining amount due to the Michigan Municipal Bond Authority with interest charged at 2 percent.