

City of Garden City, Michigan

Financial Report with Supplemental Information June 30, 2013

City of Garden City, Michigan

Contents

Report Letter	1-3
Management's Discussion and Analysis	4-10
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12-13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of the Balance Sheet to the Statement of Net Position	15
Statement of Revenue, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Proprietary Funds:	
Statement of Net Position	18
Statement of Revenue, Expenses, and Changes in Net Position	19
Statement of Cash Flows	20
Fiduciary Funds - Statement of Fiduciary Net Position	21
Notes to Financial Statements	22-44
Required Supplemental Information	45
Budgetary Comparison Schedule - General Fund	46
Budgetary Comparison Schedule - Major Streets Fund	47
Note to Required Supplemental Information	48-49

City of Garden City, Michigan

Contents (Continued)

Other Supplemental Information	50
Nonmajor Governmental Funds:	
Combining Balance Sheet	51-52
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit)	53-54
Downtown Development Authority - Balance Sheet - Modified Accrual Basis	55
Downtown Development Authority - Statement of Revenue, Expenditures, and Changes in Fund Balances - Modified Accrual Basis	56
Schedules of Indebtedness:	
Governmental Activities Limited Tax Bonds	57-59
Business Activities Obligation Bonds	60-61
Business-type and Component Unit Developmental Bonds	62-63

Independent Auditor's Report

To the Board of Directors
City of Garden City, Michigan

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, the 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, 2013 and the related notes to the financial statements, which collectively comprise the City of Garden City, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Directors
City of Garden City, Michigan

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Garden City, Michigan as of June 30, 2013 and the respective changes in its financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the major fund 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. We have applied certain limited procedures to the required supplemental information 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.

Other Information

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, the Downtown Development Authority schedules, and the schedules of indebtedness are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The nonmajor fund combining schedules and the Downtown Development Authority schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor fund combining schedules and the Downtown Development Authority schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedules of indebtedness have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

To the Board of Directors
City of Garden City, Michigan

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013 on our consideration of the City of Garden City, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Garden City, Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 26, 2013

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, 2013. 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, 2013:

- Total net position related to the City's governmental activities decreased 10.7 percent, primarily due to the increasing unfunded liability associated with retiree healthcare.
- The City's taxable value dropped approximately 12.1 percent from the previous year in 2012/2013. This drop was anticipated, and the appropriate cost cuts, consolidations, and staffing reductions continued. Taxable value for 2013-2014 was reduced by about 4 percent.
- The City continues to monitor spending, increased productivity due to technology, and consolidated services. We anticipate taxable value to remain flat or increase slightly. Therefore, we plan to follow the policies that have strengthened our financial position for the last several years.
- Five of the six bargaining groups are in contracts that expire June 30, 2014. The contract for the Command Officers Association of Michigan (COAM) expired June 30, 2013 and is currently being negotiated. The City continues to cooperatively work with bargaining units to reduce long-term costs which could jeopardize the City's financial progress.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position 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 15 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 13 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 schedules 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, as well as an enterprise fund to account for its rubbish collection activities. These funds are considered major funds 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 schedules for the General Fund and major special revenue fund.

Other Financial and Supplemental Information

The combining nonmajor governmental 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 position as of June 30, 2013 and compared to the prior year (in millions of dollars):

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
Assets						
Current assets	\$ 11.1	\$ 11.3	\$ 11.9	\$ 13.7	\$ 23.0	\$ 25.0
Capital assets	29.4	29.6	33.4	33.0	62.8	62.6
Noncurrent assets	-	-	0.1	0.1	0.1	0.1
Total assets	40.5	40.9	45.4	46.8	85.9	87.7
Liabilities						
Current liabilities	3.1	3.2	4.0	3.9	7.1	7.1
Long-term liabilities	22.4	24.3	7.6	7.2	30.0	31.5
Total liabilities	25.5	27.5	11.6	11.1	37.1	38.6
Net Position						
Net investment in capital assets	25.6	26.7	26.5	27.1	52.1	53.8
Restricted	6.0	4.6	-	-	6.0	4.6
Unrestricted	(16.6)	(17.9)	7.3	8.6	(9.3)	(9.3)
Total net position	<u>\$ 15.0</u>	<u>\$ 13.4</u>	<u>\$ 33.8</u>	<u>\$ 35.7</u>	<u>\$ 48.8</u>	<u>\$ 49.1</u>

City of Garden City, Michigan

Management's Discussion and Analysis (Continued)

The City's combined net position increased approximately .6 percent from a year ago, increasing from \$48.8 million to \$49.1 million. A review of the governmental activities, separate from the business-type activities, shows a decrease of 10.7 percent, or approximately \$1.6 million, during fiscal year 2013. In contrast, the business-type activities experienced a 5.6 percent, or \$1.9 million, increase in net position during fiscal year 2013.

Governmental unrestricted net position, the portion of net position available to finance day-to-day operations and future growth, changed from a negative \$16.6 million at June 30, 2012 to a negative \$17.9 million at June 30, 2013, primarily because of the increase in the postemployment benefits (retiree healthcare) liability.

In contrast, the business-type unrestricted net position increased by \$1.3 million for the fiscal year ended June 30, 2013. 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. A continued scheduled replacement of water meters 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 position (in millions of dollars) for the years ended June 30, 2013 and 2012:

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
Revenue						
Program revenue:						
Charges for services	\$ 3.5	\$ 3.4	\$ 11.3	\$ 12.5	\$ 14.8	\$ 15.9
Operating grants and contributions	3.4	2.7	-	-	3.4	2.7
Capital grants and contributions	-	0.4	-	-	-	0.4
General revenue:						
Property taxes	9.6	11.1	-	-	9.6	11.1
State-shared revenue	2.6	2.6	-	-	2.6	2.6
Unrestricted investment earnings	0.1	0.2	-	-	0.1	0.2
Franchise fees	0.4	0.5	-	-	0.4	0.5
Other	0.1	0.1	-	-	0.1	0.1
Total revenue	19.7	21.0	11.3	12.5	31.0	33.5
Program Expenses						
General government	3.0	2.0	-	-	3.0	2.0
Public safety	10.8	11.2	-	-	10.8	11.2
Public works	4.1	3.7	-	-	4.1	3.7
Community maintenance, development, and other	1.0	1.2	-	-	1.0	1.2
Culture and recreation	2.1	2.3	-	-	2.1	2.3
District court	0.8	1.0	-	-	0.8	1.0
Interest expense	0.5	0.5	-	-	0.5	0.5
Water and sewer	-	-	8.5	9.8	8.5	9.8
Rubbish disposal	-	-	1.4	1.5	1.4	1.5
Total program expenses	22.3	21.9	9.9	11.3	32.2	33.2
Transfers	-	(0.7)	-	0.7	-	-
Change in Net Position	\$ (2.6)	\$ (1.6)	\$ 1.4	\$ 1.9	\$ (1.2)	\$ 0.3

Governmental Activities

The City's total governmental revenue and other items increased by approximately \$1.2 million, mostly due to increased property tax revenue collection and a slight increase in state revenue sharing.

Governmental expenses decreased by approximately 2.2 percent, or \$0.5 million. The City continues to tighten controls on spending and limit capital expenditures from the General Fund. Inflationary factors have affected costs, especially in the areas of healthcare and required pension contributions, as have increases in energy.

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 Fund. We provide water and sewer services to residents from the Detroit Water and Sewerage Department (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 Fund was added. Revenues are generated from fees.

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, 2013 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 53 percent of the General Fund budget, approximately \$8.4 million, in the fiscal year ended June 30, 2013.

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 balance in the Major Streets Fund decreased, as completed road improvement projects were more than the Act 51 revenue from the State. Harrison Road, a major City thoroughfare, was the focus of the Major Streets Fund program in FY2012/2013. Work was also done on Merriman, Warren, and Bock.

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 \$3,442,616 a year ago to \$3,715,070 at June 30, 2013.

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

The City's budget for fiscal year 2013-2014 anticipates a smaller decline in taxable values (less than 5 percent). Because the City has been proactive in anticipating the financial deficits that have plagued the region, the planned use of a portion of fund balance was incorporated into the budget. We are into the second year of a voter-approved public safety millage that offsets General Fund expenses. Also, City Council has assessed a street lighting assessment again this year, also removing that cost from the General Fund. Residents also voted for a library millage so that no contribution from the General Fund is needed for the Library.

Capital investments that have been delayed to offset decreased revenues were budgeted to improve technological efficiencies, replace equipment that augments revenue generating areas, and avoid repairs that were not cost effective.

Water and sewer rates have been restructured in the fiscal year ending June 30, 2014. The rate structure incorporates fix charges to reflect the wholesale fix charges from DWSD and reduces consumption rates.

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 Position June 30, 2013

	Primary Government			Component Unit - DDA
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 2)	\$ 8,222,866	\$ 8,304,259	\$ 16,527,125	\$ 420,245
Receivables (Note 4)	1,774,385	5,373,314	7,147,699	244,442
Prepaid costs and other assets	465,280	40,217	505,497	43,586
Due from other governmental units	788,865	-	788,865	-
Capital assets (Note 5):				
Assets not subject to depreciation	1,956,284	59,700	2,015,984	-
Assets subject to depreciation	27,684,406	32,909,970	60,594,376	1,721,510
Unamortized bond issuance costs	-	91,351	91,351	-
Total assets	<u>40,892,086</u>	<u>46,778,811</u>	<u>87,670,897</u>	<u>2,429,783</u>
Liabilities				
Accounts payable	554,084	1,165,838	1,719,922	54,057
Due to other governmental units	95,257	34,660	129,917	-
Accrued and other liabilities	321,723	1,367,458	1,689,181	7,609
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	326,403	40,171	366,574	-
Current portion of long-term debt (Note 7)	1,908,270	1,248,350	3,156,620	184,023
Due in more than one year:				
Compensated absences (Note 7)	522,093	65,542	587,635	-
Net OPEB obligation (Note 11)	13,185,472	2,566,531	15,752,003	-
Long-term debt (Note 7)	10,593,881	4,581,053	15,174,934	1,038,629
Total liabilities	<u>27,507,183</u>	<u>11,069,603</u>	<u>38,576,786</u>	<u>1,284,318</u>
Net Position				
Net investment in capital assets	26,691,198	27,140,267	53,831,465	498,858
Restricted for:				
Streets and highways	4,120,231	-	4,120,231	-
Capital projects	51,559	-	51,559	-
Police drug confiscation monies	79,379	-	79,379	-
9-1-1	204,740	-	204,740	-
Franchise PEG fees	94,872	-	94,872	-
Housing rehabilitation	30,496	-	30,496	-
Unrestricted	(17,887,572)	8,568,941	(9,318,631)	646,607
Total net position	<u>\$ 13,384,903</u>	<u>\$ 35,709,208</u>	<u>\$ 49,094,111</u>	<u>\$ 1,145,465</u>

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	\$ 1,994,181	\$ 640,391	\$ -	\$ -
21st District Court	1,053,487	867,763	46,329	-
Public safety	11,221,673	677,611	184,609	315,000
Public works	3,719,719	408,490	1,615,210	103,100
Community maintenance, development, and other	1,166,402	324,452	169,860	1,208
Recreation and culture	2,331,618	482,353	702,896	-
Debt service	434,181	-	-	-
Total governmental activities	21,921,261	3,401,060	2,718,904	419,308
Business-type activities:				
Water and Sewer Fund	9,836,189	11,160,148	-	-
Rubbish Collection Fund	1,448,361	1,298,976	-	-
Total business-type activities:	11,284,550	12,459,124	-	-
Total primary government	<u>\$ 33,205,811</u>	<u>\$ 15,860,184</u>	<u>\$ 2,718,904</u>	<u>\$ 419,308</u>
Component units	<u>\$ 616,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

- Property taxes
- State-shared revenue
- Interest and other
- Cable franchise fees
- Other miscellaneous income
- Gain on sale of fixed assets

Total general revenues

Transfers

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Statement of Activities
Year Ended June 30, 2013

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit - Downtown Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (1,353,790)	\$ -	\$ (1,353,790)	\$ -
(139,395)	-	(139,395)	-
(10,044,453)	-	(10,044,453)	-
(1,592,919)	-	(1,592,919)	-
(670,882)	-	(670,882)	-
(1,146,369)	-	(1,146,369)	-
(434,181)	-	(434,181)	-
(15,381,989)	-	(15,381,989)	-
-	1,323,959	1,323,959	-
-	(149,385)	(149,385)	-
-	1,174,574	1,174,574	-
(15,381,989)	1,174,574	(14,207,415)	-
-	-	-	(616,886)
11,067,291	-	11,067,291	519,679
2,657,308	-	2,657,308	-
151,685	33,386	185,071	795
462,090	-	462,090	-
115,064	-	115,064	-
11,797	-	11,797	-
14,465,235	33,386	14,498,621	520,474
(730,993)	730,993	-	-
(1,647,747)	1,938,953	291,206	(96,412)
15,032,650	33,770,255	48,802,905	1,241,877
\$ 13,384,903	\$ 35,709,208	\$ 49,094,111	\$ 1,145,465

City of Garden City, Michigan

Governmental Funds Balance Sheet June 30, 2013

	General Fund	Major Streets Fund	Nonmajor Funds	Total
Assets				
Cash and investments	\$ 2,613,242	\$ 2,714,028	\$ 1,994,437	\$ 7,321,707
Receivables:				
Property taxes receivable	1,121,073	-	141,370	1,262,443
Special assessments receivable	14,271	-	74,612	88,883
Accrued interest receivable	1,093	801	475	2,369
Other receivables	209,338	-	211,093	420,431
Due from other funds	336,367	-	-	336,367
Prepaid costs and other assets	305,005	-	1,907	306,912
Due from other governmental units	445,622	189,005	154,238	788,865
	<u>\$ 5,046,011</u>	<u>\$ 2,903,834</u>	<u>\$ 2,578,132</u>	<u>\$ 10,527,977</u>
Total assets				
Liabilities				
Accounts payable	\$ 420,589	\$ 46,370	\$ 84,747	\$ 551,706
Due to other governmental units	83,345	-	11,912	95,257
Due to other funds	-	-	336,367	336,367
Accrued and other liabilities	215,114	-	5,521	220,635
Deferred revenue	59,552	-	198,895	258,447
	<u>778,600</u>	<u>46,370</u>	<u>637,442</u>	<u>1,462,412</u>
Total liabilities				
Fund Balances				
Nonspendable - Prepaids	305,005	-	1,122	306,127
Restricted:				
Roads	-	2,857,464	1,262,767	4,120,231
Public safety	-	-	284,119	284,119
Housing rehabilitation	-	-	30,496	30,496
Capital projects	-	-	30,515	30,515
PEG fees	-	-	93,750	93,750
Assigned - Capital projects	-	-	367,313	367,313
Fund balance - Unassigned	3,962,406	-	(129,392)	3,833,014
	<u>4,267,411</u>	<u>2,857,464</u>	<u>1,940,690</u>	<u>9,065,565</u>
Total fund balances				
Total liabilities and fund balances	<u>\$ 5,046,011</u>	<u>\$ 2,903,834</u>	<u>\$ 2,578,132</u>	<u>\$ 10,527,977</u>

City of Garden City, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2013

Fund Balance Reported in Governmental Funds	\$ 9,065,565
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	29,640,690
Special assessments, grant receivables, and property taxes are expected to be collected over several years and are not available	258,447
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(12,104,491)
Accrued interest is not due and payable in the current period and is not reported in the funds	(101,089)
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	(848,496)
Net other postemployment benefits obligation	(13,185,472)
Bond issuance costs	132,868
Internal service funds are included as part of governmental activities	526,881
Net Position of Governmental Activities	<u>\$ 13,384,903</u>

City of Garden City, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2013

	General Fund	Major Streets Fund	Nonmajor Funds	Total
Revenue				
Property taxes	\$ 9,268,082	\$ -	\$ 1,834,928	\$ 11,103,010
Licenses and permits	60,322	-	-	60,322
Federal sources	141,982	-	330,866	472,848
State sources	4,344,117	1,141,516	474,358	5,959,991
Charges for services	1,509,058	-	77,872	1,586,930
21st District Court	818,069	-	-	818,069
Interest and other	507,567	12,513	323,500	843,580
Cable franchise fees	520,876	-	-	520,876
Special assessments	-	-	522,257	522,257
Total revenue	<u>17,170,073</u>	<u>1,154,029</u>	<u>3,563,781</u>	<u>21,887,883</u>
Expenditures				
General government	2,294,069	-	-	2,294,069
21st District Court	748,067	-	-	748,067
Public safety	8,210,208	-	149,862	8,360,070
Public service	1,565,885	1,706,578	-	3,272,463
Community maintenance, development, and other	463,807	-	1,380,073	1,843,880
Recreation and culture	1,640,065	-	318,030	1,958,095
Capital outlay	-	-	439,842	439,842
Debt service	1,019,148	-	1,351,850	2,370,998
Total expenditures	<u>15,941,249</u>	<u>1,706,578</u>	<u>3,639,657</u>	<u>21,287,484</u>
Excess of Revenue Over (Under)				
Expenditures	1,228,824	(552,549)	(75,876)	600,399
Other Financing Sources (Uses)				
Face value of debt issue	-	-	22,020	22,020
Transfers in	127,222	-	395,894	523,116
Transfers out	(841,508)	(285,379)	(127,222)	(1,254,109)
Total other financing (uses) sources	<u>(714,286)</u>	<u>(285,379)</u>	<u>290,692</u>	<u>(708,973)</u>
Net Change in Fund Balances	514,538	(837,928)	214,816	(108,574)
Fund Balances - Beginning of year	<u>3,752,873</u>	<u>3,695,392</u>	<u>1,725,874</u>	<u>9,174,139</u>
Fund Balances - End of year	<u>\$ 4,267,411</u>	<u>\$ 2,857,464</u>	<u>\$ 1,940,690</u>	<u>\$ 9,065,565</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, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ (108,574)
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	1,955,960
Depreciation expense	(1,900,267)
Net book value of assets disposed of	(9,242)
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	245,619
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	(40,852)
Change in interest in joint venture	3,571
Change in personal property tax revenue	(13,311)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,924,396
Change in accrued interest payable and other	12,421
Issuing debt provides financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position	(22,020)
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	(33,992)
Change in net other postemployment benefits liability is recorded when incurred in the statement of activities	(4,160,119)
Internal service funds are included as part of governmental activities	498,663
Change in Net Position of Governmental Activities	<u>\$ (1,647,747)</u>

City of Garden City, Michigan

Proprietary Funds Statement of Net Position June 30, 2013

	Enterprise Funds			Governmental Activities
	Water and Sewer	Rubbish	Total	Internal Service
	Fund	Collection Fund		Funds
Assets				
Current assets:				
Cash and investments	\$ 7,657,737	\$ 646,522	\$ 8,304,259	\$ 901,159
Receivables - Net (Note 4)	5,277,847	95,467	5,373,314	259
Prepaid costs and other assets	40,217	-	40,217	25,500
Total current assets	12,975,801	741,989	13,717,790	926,918
Noncurrent assets:				
Capital assets:				
Assets not subject to depreciation	59,700	-	59,700	-
Assets subject to depreciation	32,909,970	-	32,909,970	-
Unamortized bond discount	91,351	-	91,351	-
Total noncurrent assets	33,061,021	-	33,061,021	-
Total assets	46,036,822	741,989	46,778,811	926,918
Liabilities				
Current liabilities:				
Accounts payable	901,694	264,144	1,165,838	2,378
Due to other governmental units	29,215	5,445	34,660	-
Accrued and other liabilities	1,367,458	-	1,367,458	-
Compensated absences	40,171	-	40,171	-
Current portion of long-term debt	1,248,350	-	1,248,350	-
Total current liabilities	3,586,888	269,589	3,856,477	2,378
Noncurrent liabilities:				
Compensated absences	65,542	-	65,542	-
Net other postemployment benefit obligation	2,566,531	-	2,566,531	-
Long-term debt	4,581,053	-	4,581,053	397,659
Total noncurrent liabilities	7,213,126	-	7,213,126	397,659
Total liabilities	10,800,014	269,589	11,069,603	400,037
Net Position				
Net investment in capital assets	27,140,267	-	27,140,267	-
Unrestricted	8,096,541	472,400	8,568,941	526,881
Total net position	\$ 35,236,808	\$ 472,400	\$ 35,709,208	\$ 526,881

City of Garden City, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2013

	Enterprise Funds		Governmental
	Water and Sewer Fund	Rubbish Collection Fund	Activities Internal Service Fund
Operating Revenue			
Water and sewer services	\$ 10,495,451	\$ -	\$ 10,495,451
Interest and other	664,697	-	664,697
Charges for services	-	1,298,976	1,298,976
Total operating revenue	<u>11,160,148</u>	<u>1,298,976</u>	<u>12,459,124</u>
Operating Expenses			
Cost of water	1,550,639	-	1,550,639
Cost of sewage treatment	2,532,710	-	2,532,710
Cost of rubbish disposal	-	1,448,361	1,448,361
Cost of insurance claims	454,414	-	454,414
Supplies	145,854	-	145,854
Personnel services	2,365,753	-	2,365,753
Other services and charges	1,559,740	-	1,559,740
Claims expense	-	-	98,530
Depreciation and amortization	975,592	-	975,592
Total operating expenses	<u>9,584,702</u>	<u>1,448,361</u>	<u>11,033,063</u>
Operating Income (Loss)	1,575,446	(149,385)	1,426,061
Nonoperating Revenue (Expenses)			
Investment income	30,310	3,076	33,386
Interest expense	(251,487)	-	(251,487)
Total nonoperating (expenses) revenue	<u>(221,177)</u>	<u>3,076</u>	<u>(218,101)</u>
Income (Loss) - Before contributions	1,354,269	(146,309)	1,207,960
Transfers In	-	730,993	730,993
Change in Net Position	1,354,269	584,684	1,938,953
Net Position - Beginning of year	33,882,539	(112,284)	33,770,255
Net Position - End of year	<u>\$ 35,236,808</u>	<u>\$ 472,400</u>	<u>\$ 35,709,208</u>

City of Garden City, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2013

	Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Rubbish Collection Fund	Total	Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 10,799,725	\$ 1,298,848	\$ 12,098,573	\$ 593,481
Payments to suppliers	(6,256,067)	(1,428,289)	(7,684,356)	-
Payments to employees	(1,774,831)	-	(1,774,831)	-
Claims paid	-	-	-	(520,996)
Net cash provided by (used in) operating activities	2,768,827	(129,441)	2,639,386	72,485
Cash Flows from Noncapital Financing Activities - Operating transfer	-	730,993	730,993	-
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(500,016)	-	(500,016)	-
Principal and interest paid on capital debt	(1,409,826)	-	(1,409,826)	-
Net cash used in capital and related financing activities	(1,909,842)	-	(1,909,842)	-
Cash Flows from Investing Activities - Interest received on investments	28,114	2,890	31,004	3,453
Net Increase in Cash and Cash Equivalents	887,099	604,442	1,491,541	75,938
Cash and Cash Equivalents - Beginning of year	6,770,638	42,080	6,812,718	825,221
Cash and Cash Equivalents - End of year	<u>\$ 7,657,737</u>	<u>\$ 646,522</u>	<u>\$ 8,304,259</u>	<u>\$ 901,159</u>
Balance Sheet Classification of Cash and Cash Equivalents - Cash and investments	<u>\$ 7,657,737</u>	<u>\$ 646,522</u>	<u>\$ 8,304,259</u>	<u>\$ 901,159</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 1,575,446	\$ (149,385)	\$ 1,426,061	\$ 494,951
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	975,592	-	975,592	-
Changes in assets and liabilities:				
Receivables	(360,423)	(128)	(360,551)	-
Prepaid and other assets	(30,630)	-	(30,630)	-
Accounts payable	(154,627)	20,072	(134,555)	-
Estimated claims liability	-	-	-	(422,466)
Increase in OPEB liability	763,469	-	763,469	-
Net cash provided by (used in) operating activities	<u>\$ 2,768,827</u>	<u>\$ (129,441)</u>	<u>\$ 2,639,386</u>	<u>\$ 72,485</u>

City of Garden City, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2013

	<u>Agency Funds</u>
Assets - Cash and cash equivalents	<u>\$ 884,053</u>
Liabilities	
Accounts payable	\$ 514,600
Due to other governmental units	<u>369,453</u>
Total liabilities	<u>\$ 884,053</u>

City of Garden City, Michigan

Notes to Financial Statements June 30, 2013

Note 1 - 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 position 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 funds:

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

Rubbish Collection Fund - The Rubbish Collection Fund accounts for the activities of solid waste collection in the City.

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 1 - 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.

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 2012 taxable valuation of the City totaled \$501 million, on which ad valorem taxes levied consisted of 13.8403 mills for operating purposes, .82 mills for refuse collection, 1.00 mills for library operations, 3.50 mills for public safety, and 2.7040 mills for judgment debt. The ad valorem taxes levied raised \$7.8 million for operation, \$466 thousand for refuse collection, \$499 thousand for library operations, \$1.7 million for public safety, 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 an 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 I - 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.

City of Garden City, Michigan

Notes to Financial Statements June 30, 2013

Note 2 - Deposits and Investments (Continued)

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

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 \$5,995,294 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	\$ 6,995,516	135 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	\$ 2,212,622	N/A	N/A
Money market	252,587	N/A	N/A
Money market	1,582,576	N/A	N/A
Money market	208,203	N/A	N/A
Commercial paper	999,250	A1	Moody's
Commercial paper	3,002,356	A1	Moody's
Commercial paper	1,996,240	A1	Moody's
Commercial paper	997,640	A1	Moody's

City of Garden City, Michigan

Notes to Financial Statements June 30, 2013

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, 2013 is \$992,310.

Shortfall at July 1, 2012	\$ (902,296)
Current year permit revenue	373,793
Related expenses - Direct costs	<u>463,807</u>
Current year shortfall	<u>(90,014)</u>
Cumulative shortfall at June 30, 2013	<u>\$ (992,310)</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	Major Streets Fund	Nonmajor Funds	Total	Business-type Activities	Downtown Development Authority
Receivables:						
Property taxes receivable	\$ 1,121,073	\$ -	\$ 141,370	\$ 1,262,443	\$ -	\$ -
Special assessments receivable	14,271	-	74,612	88,883	-	244,321
Accrued interest receivable	1,093	801	475	2,369	2,382	121
Customers and other	<u>209,338</u>	<u>-</u>	<u>211,093</u>	<u>420,431</u>	<u>5,370,932</u>	<u>-</u>
Net receivables	<u>\$ 1,345,775</u>	<u>\$ 801</u>	<u>\$ 427,550</u>	<u>\$ 1,774,126</u>	<u>\$ 5,373,314</u>	<u>\$ 244,442</u>

City of Garden City, Michigan

Notes to Financial Statements June 30, 2013

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	\$ 41,247
Property taxes not received within 60 days	36,409
Grant reimbursements not available in the current period	180,791
	<hr/>
Total	\$ 258,447

Note 5 - Capital Assets

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

	Balance July 1, 2012	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2013
Governmental Activities					
Capital assets not being depreciated:					
Land and land improvements	\$ 1,414,961	\$ -	\$ -	\$ -	\$ 1,414,961
Construction in progress	266,865	(40,737)	315,195	-	541,323
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	1,681,826	(40,737)	315,195	-	1,956,284
Capital assets being depreciated:					
Roads and sidewalks	93,410,679	-	1,249,741	-	94,660,420
Buildings and improvements	6,856,801	40,737	67,559	-	6,965,097
Vehicles and equipment	10,882,779	-	511,393	(220,041)	11,174,131
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	111,150,259	40,737	1,828,693	(220,041)	112,799,648
Accumulated depreciation:					
Roads and sidewalks	70,015,581	-	1,566,774	-	71,582,355
Buildings and improvements	3,076,704	-	117,416	-	3,194,120
Vehicles and equipment	10,333,489	-	216,077	(210,799)	10,338,767
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	83,425,774	-	1,900,267	(210,799)	85,115,242
Net capital assets being depreciated	27,724,485	40,737	(71,574)	(9,242)	27,684,406
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net capital assets	\$ 29,406,311	\$ -	\$ 243,621	\$ (9,242)	\$ 29,640,690

City of Garden City, Michigan

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2012	Additions	Disposals and Adjustments	Balance June 30, 2013
Capital assets not being depreciated - Construction in progress	\$ 123,872	\$ 59,700	\$ (123,872)	\$ 59,700
Capital assets being depreciated:				
Water and sewer distribution systems	14,611,418	339,311	-	14,950,729
Drain separation project	28,122,982	-	-	28,122,982
Vehicles	1,145,808	170,949	-	1,316,757
Meters	2,882,051	-	-	2,882,051
Office furnishings	53,819	14,737	-	68,556
Machinery and equipment	889,087	-	-	889,087
Subtotal	47,705,165	524,997	-	48,230,162
Accumulated depreciation:				
Water and sewer distribution systems	4,301,951	151,767	-	4,453,718
Drain separation project	7,311,976	562,461	-	7,874,437
Vehicles	975,059	49,952	-	1,025,011
Meters	1,005,294	143,980	-	1,149,274
Office furnishings	43,893	2,525	-	46,418
Machinery and equipment	745,618	25,716	-	771,334
Subtotal	14,383,791	936,401	-	15,320,192
Net capital assets being depreciated	33,321,374	(411,404)	-	32,909,970
Net capital assets	\$ 33,445,246	\$ (351,704)	\$ (123,872)	\$ 32,969,670
	Balance July 1, 2012	Additions	Disposals	Balance June 30, 2013
Component Units				
Capital assets being depreciated:				
Land improvements	\$ 2,512,400	\$ -	\$ -	\$ 2,512,400
Equipment	97,271	9,278	-	106,549
Subtotal	2,609,671	9,278	-	2,618,949
Accumulated depreciation:				
Land improvements	747,282	52,222	-	799,504
Equipment	96,347	1,588	-	97,935
Subtotal	843,629	53,810	-	897,439
Net capital assets	\$ 1,766,042	\$ (44,532)	\$ -	\$ 1,721,510

City of Garden City, Michigan

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 72,160
Public safety		214,573
Public works		1,573,395
Recreation and culture		40,139
	Total governmental activities	<u>\$ 1,900,267</u>
	Business-type activities - Water and sewer	<u>\$ 936,401</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	<u>\$ 336,367</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	Rubbish Collection Fund (1)	\$ 730,993
	Other nonmajor governmental funds (3)	<u>110,515</u>
	Total general fund	841,508
Major Streets Fund	Local Streets Fund (2)	285,379
Nonmajor governmental funds	General Fund (3)	<u>127,222</u>
	Total	<u>\$ 1,254,109</u>

(1) Transfer for rubbish collection

(2) Transfer of Act 511 money to fund Local Streets Fund projects

(3) Transfer for capital projects and asset purchases

City of Garden City, Michigan

Notes to Financial Statements June 30, 2013

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 reassessment of the district) are received.

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	\$ 905,000	\$ -	\$ 310,000	\$ 595,000	\$ 300,000
2001 Sewage Disposal System							
Refunding Bonds:							
Amount of issue: \$2,821,700	4.75% -	\$215,847 -					
Maturing through 2016	4.80%	\$253,769	934,861	-	247,936	686,925	253,769
2004 General Obligation Limited							
Tax Refunding Bonds:							
Amount of issue: \$1,090,000	3.50% -	\$2,020 -					
Maturing through 2022	4.20%	\$116,150	637,310	-	95,950	541,360	104,030
2005 General Obligation Limited							
Tax Refunding Bonds:							
Amount of issue: \$2,305,000	4.00% -	\$160,000 -					
Maturing through 2018	5.00%	\$240,000	1,290,000	-	210,000	1,080,000	205,000
2011 General Obligation Tax							
Refunding Bonds:							
Amount of issue: \$11,190,000	2.00% -	\$900,000 -					
Maturing through 2020	4.00%	\$1,600,000	10,180,000	-	1,025,000	9,155,000	1,015,000
Installment notes:							
Amount of issue: \$99,450		\$18,074 -					
Maturing through 2015	4.79%	\$21,793	81,376	-	18,939	62,437	19,847
Amount of issue: \$42,622		\$9,231	18,461	-	9,231	9,230	9,230
Maturing through 2014							
Amount of issue: \$22,020		\$7,340	-	22,020	7,340	14,680	7,340
Maturing through 2015							
Less deferred charges on refunding			(46,088)	-	(5,947)	(40,141)	(5,946)
Total bonds and notes payable			14,000,920	22,020	1,918,449	12,104,491	1,908,270
Self-insurance claims			817,519	-	419,859	397,660	-
Compensated absences			814,504	122,176	88,184	848,496	326,403
Total governmental activities			\$ 15,632,943	\$ 144,196	\$ 2,426,492	\$13,350,647	\$ 2,234,673

City of Garden City, Michigan

Notes to Financial Statements June 30, 2013

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							
2001 Sewage Disposal System							
Refunding Bonds:							
Amount of issue: \$6,908,300	4.50% -	\$524,153 -					
Maturing through 2016	4.80%	\$641,021	\$ 2,270,139	\$ -	\$ 602,064	\$ 1,668,075	\$ 616,231
State Revolving Fund Debt:							
Amount of issue: \$2,435,000	2.00% -	\$101,000 -					
Maturing through 2016	2.25%	\$121,000	436,933	-	106,000	330,933	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	2,517,690	-	379,050	2,138,640	410,970
2008 General Obligation Limited							
Tax:							
Amount of issue: \$1,610,000	3.75% -	\$50,000 -					
Maturing through 2028	4.50%	\$125,000	1,485,000	-	60,000	1,425,000	75,000
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	-	42,089	272,232	41,193
Less deferred charges on refunding			(24,213)	-	(18,736)	(5,477)	(1,044)
Total bonds payable			6,999,870	-	1,170,467	5,829,403	1,248,350
Compensated absences			104,041	15,606	13,934	105,713	40,171
Total business-type activities			\$ 7,103,911	\$ 15,606	\$ 1,184,401	\$ 5,935,116	\$ 1,288,521
Component Unit Activities							
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	\$ -	\$ 192,912	\$ 1,247,768	\$ 188,807
Less deferred charges on refunding			(29,900)	-	(4,784)	(25,116)	(4,784)
Total bonds payable			\$ 1,410,780	\$ -	\$ 188,128	\$ 1,222,652	\$ 184,023

Total interest related to governmental and business-type activities for the year approximated \$482,000 and \$251,000, respectively. Total interest incurred related to component units for the year approximated \$31,000.

City of Garden City, Michigan

Notes to Financial Statements June 30, 2013

Note 7 - Long-term Debt (Continued)

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
2014	\$ 1,914,217	\$ 425,422	\$ 2,339,639	\$ 1,249,394	\$ 207,545	\$ 1,456,939	\$ 188,807	\$ 27,172	\$ 215,979
2015	2,068,565	345,176	2,413,741	1,218,930	157,883	1,376,813	221,643	23,067	244,710
2016	1,968,790	257,819	2,226,609	1,209,418	112,006	1,321,424	217,539	18,675	236,214
2017	1,667,020	180,006	1,847,026	129,546	86,533	216,079	213,434	13,832	227,266
2018	1,837,020	137,800	1,974,820	127,755	81,697	209,452	205,225	8,599	213,824
2019-2023	2,689,020	122,516	2,811,536	1,324,837	245,442	1,570,279	201,120	3,017	204,137
2023-2027	-	-	-	575,000	67,937	642,937	-	-	-
Total	<u>\$12,144,632</u>	<u>\$ 1,468,739</u>	<u>\$13,613,371</u>	<u>\$ 5,834,880</u>	<u>\$ 959,043</u>	<u>\$ 6,793,923</u>	<u>\$ 1,247,768</u>	<u>\$ 94,362</u>	<u>\$ 1,342,130</u>

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 \$52,185,000. Information regarding the status of the bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source.

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, 2013

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	
	2013	2012	2013	2012
Unpaid claims - Beginning of year	\$ 737,700	\$ 158,551	\$ 79,819	\$ 170,374
Estimated claims incurred, including changes in estimates	(288,131)	569,587	65,568	55,952
Deposits at the Authority to fund claims	173,840	55,182	-	-
Claim payments	(260,900)	(45,620)	(110,237)	(146,507)
Unpaid claims - End of year	<u>\$ 362,509</u>	<u>\$ 737,700</u>	<u>\$ 35,150</u>	<u>\$ 79,819</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 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, 2013, the City's annual pension cost of \$1,327,738 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2010, using the entry age actuarial cost method.

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 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 23 years.

City of Garden City, Michigan

Notes to Financial Statements June 30, 2013

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		
	2013	2012	2011
Annual pension cost (APC)	\$ 1,327,738	\$ 1,062,459	\$ 1,206,622
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -
	Valuation Date as of December 31		
	2012	2011	2010
Actuarial value of assets	\$ 58,002,961	\$ 58,834,248	\$ 56,048,316
Actuarial accrued liability (AAL)			
(entry age)	\$ 75,208,679	\$ 73,458,694	\$ 71,516,007
Unfunded AAL (UAAL)	\$ 17,205,718	\$ 14,624,446	\$ 15,467,691
Funded ratio	77.1 %	80.1 %	78.4 %
Covered payroll	\$ 5,495,028	\$ 5,523,129	\$ 6,035,482
UAAL as a percentage of covered payroll	313.1 %	264.8 %	256.3 %

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, 2013, the City's annual pension cost of \$50,091 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, 2013

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

Three-year Trend Information

	Fiscal Year Ended June 30		
	2013	2012	2011
Annual pension cost (APC)	\$ 50,091	\$ 52,073	\$ 64,523
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of December 31		
	2012	2011	2010
Actuarial value of assets	\$ 1,486,022	\$ 1,440,590	\$ 1,348,700
Actuarial accrued liability (AAL) (entry age)	\$ 1,957,080	\$ 1,859,847	\$ 1,526,933
Unfunded AAL (UAAL)	\$ 471,058	\$ 419,257	\$ 178,233
Funded ratio	75.9 %	77.5 %	88.3 %
Covered payroll	\$ 296,253	\$ 266,346	\$ 312,919
UAAL as a percentage of covered payroll	159.0 %	157.4 %	57.0 %

Actuarial Methods and Assumptions - In the December 31, 2012 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 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 26 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 256 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, 2013

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, 2013, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2013. 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)	\$ 7,218,107
Interest on the prior year's net OPEB obligation	325,015
Less adjustment to the annual required contribution	<u>(325,659)</u>
Annual OPEB cost	7,217,463
Amounts contributed - Payments of current premiums	<u>(2,299,303)</u>
Increase in net OPEB obligation	4,918,160
OPEB obligation - Beginning of year	<u>10,833,843</u>
OPEB obligation - End of year	<u><u>\$ 15,752,003</u></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
6/30/13	7/1/12	7,218,107	7,217,463	31.9 %	31.9 %	15,752,003

* 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
7/1/12	-	138,397,108	138,397,108	-	6,232,629	2,220.5

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 above, presents multi-year 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 July 1, 2012 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, 2013 was 30 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 definable equity interest in the Nankin Transit Commission at June 30, 2013. 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 27 years as the costs come due.

The City contributed \$435,347 for sanitation costs passed through the Sanitation Authority. 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, Michigan 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 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.

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, 2015.

Required Supplemental Information

City of Garden City, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 7,509,486	\$ 7,509,486	\$ 7,590,074	\$ 80,588
Licenses and permits	35,000	35,000	48,332	13,332
Federal sources	135,245	135,245	141,982	6,737
State sources	4,455,665	4,455,665	4,319,771	(135,894)
Charges for services	729,935	729,935	615,207	(114,728)
21st District Court	736,802	736,802	818,069	81,267
Interest and other	629,886	629,886	485,794	(144,092)
Cable franchise fees	530,000	530,000	520,876	(9,124)
Total revenue	14,762,019	14,762,019	14,540,105	(221,914)
Expenditures				
Current:				
General government:				
Mayor and Council	42,530	42,530	32,980	9,550
Boards and commissions	44,822	44,822	34,297	10,525
Clerk/Treasurer	847,926	886,857	850,277	36,580
General government services	1,596,793	1,453,607	1,089,705	363,902
City administration	342,873	342,873	286,810	56,063
Total general government	2,874,944	2,770,689	2,294,069	476,620
21st District Court	840,007	840,008	748,067	91,941
Department of public service	1,693,549	1,693,549	1,565,885	127,664
Recreation and culture	1,900,026	1,905,347	1,640,065	265,282
Debt service	1,019,154	1,019,154	1,019,148	6
Total expenditures	8,327,680	8,228,747	7,267,234	961,513
Excess of Revenue Over Expenditures	6,434,339	6,533,272	7,272,871	739,599
Other Financing (Uses) Sources				
Transfers in	-	-	132,760	132,760
Transfers out	(6,434,339)	(7,264,268)	(7,133,177)	131,091
Total other financing uses	(6,434,339)	(7,264,268)	(7,000,417)	263,851
Net Change in Fund Balance	-	(730,996)	272,454	1,003,450
Fund Balance - Beginning of year	3,442,616	3,442,616	3,442,616	-
Fund Balance - End of year	<u>\$ 3,442,616</u>	<u>\$ 2,711,620</u>	<u>\$ 3,715,070</u>	<u>\$ 1,003,450</u>

City of Garden City, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Streets Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State sources	\$ 1,135,420	\$ 1,135,420	\$ 1,141,516	\$ 6,096
Interest and other	12,742	12,742	12,513	(229)
Total revenue	1,148,162	1,148,162	1,154,029	5,867
Expenditures - Current - Public service	1,829,750	2,179,750	1,706,578	473,172
Excess of Expenditures Over Revenue	(681,588)	(1,031,588)	(552,549)	479,039
Other Financing Uses - Transfers out	(280,000)	(280,000)	(285,379)	(5,379)
Net Change in Fund Balance	(961,588)	(1,311,588)	(837,928)	473,660
Fund Balance - Beginning of year	3,695,392	3,695,392	3,695,392	-
Fund Balance - End of year	\$ 2,733,804	\$ 2,383,804	\$ 2,857,464	\$ 473,660

City of Garden City, Michigan

Note to Required Supplemental Information Year Ended June 30, 2013

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.

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) Year Ended June 30, 2013

	Total Revenue	Total Expenditures	Other Financing Sources (Uses)
General Fund:			
Amounts per operating statement	\$ 17,170,073	\$ 15,941,249	\$ (714,286)
205 - Public safety	(2,236,743)	(8,210,208)	(6,141,890)
249 - Building department	(385,783)	(463,807)	(99,779)
736 - Retiree health care	(1,904)	-	(50,000)
896 - Special assessment bond	(5,538)	-	5,538
	<u>\$ 14,540,105</u>	<u>\$ 7,267,234</u>	<u>\$ (7,000,417)</u>
Amounts per budget statement			

Fund Deficits - The City has a deficit in the Maplewood II Fund at June 30, 2013 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, 2013. 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 costs of lighting exceeding revenue in the current year. The deficit will be eliminated by future lighting assessment charges.

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.

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
Assets						
Cash and investments	\$ 1,110,752	\$ 184,615	\$ -	\$ 29,196	\$ 79,357	\$ 74,652
Receivables	320	46,933	140,560	1,300	22	19,785
Prepaid expenditures and other assets	-	-	-	-	-	1,122
Due from other governmental units	154,238	-	-	-	-	-
Total assets	\$ 1,265,310	\$ 231,548	\$ 140,560	\$ 30,496	\$ 79,379	\$ 95,559
Liabilities						
Accounts payable	\$ 2,543	\$ -	\$ 2,268	\$ -	\$ -	\$ 687
Due to other governmental units	-	-	3,613	-	-	-
Due to other funds	-	-	134,680	-	-	-
Accrued and other liabilities	-	-	-	-	-	-
Deferred revenue	-	26,808	140,560	-	-	-
Total liabilities	2,543	26,808	281,121	-	-	687
Fund Balances						
Nonspendable - Prepays	-	-	-	-	-	1,122
Restricted:						
Roads	1,262,767	-	-	-	-	-
Public Safety	-	204,740	-	-	79,379	-
Housing rehabilitation	-	-	-	30,496	-	-
Capital projects	-	-	-	-	-	-
PEG fees	-	-	-	-	-	93,750
Assigned - Capital projects	-	-	-	-	-	-
Fund balance - Unassigned	-	-	(140,561)	-	-	-
Total fund balances	1,262,767	204,740	(140,561)	30,496	79,379	94,872
Total liabilities and fund balances	\$ 1,265,310	\$ 231,548	\$ 140,560	\$ 30,496	\$ 79,379	\$ 95,559

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013**

Special Revenue Funds		Debt Service Funds	Capital Projects Funds				Total Nonmajor Governmental Funds
219 - Street Lighting Assessment	790 - Library	301 - Debt Retirement	401 - Capital Projects	436 - District Court Building Fund	852 - Maplewood Road	853 - Maplewood II	
\$ -	\$ 90,094	\$ -	\$ 79,569	\$ 316,366	\$ 29,836	\$ -	\$ 1,994,437
46,749	37,259	104,137	23	2,590	679	27,193	427,550
-	785	-	-	-	-	-	1,907
-	-	-	-	-	-	-	154,238
<u>\$ 46,749</u>	<u>\$ 128,138</u>	<u>\$ 104,137</u>	<u>\$ 79,592</u>	<u>\$ 318,956</u>	<u>\$ 30,515</u>	<u>\$ 27,193</u>	<u>\$ 2,578,132</u>
\$ 43,467	\$ 4,547	\$ -	\$ 31,235	\$ -	\$ -	\$ -	\$ 84,747
-	-	8,299	-	-	-	-	11,912
9,000	-	186,538	-	-	-	6,149	336,367
-	2,344	3,177	-	-	-	-	5,521
-	-	4,400	-	-	-	27,127	198,895
52,467	6,891	202,414	31,235	-	-	33,276	637,442
-	-	-	-	-	-	-	1,122
-	-	-	-	-	-	-	1,262,767
-	-	-	-	-	-	-	284,119
-	-	-	-	-	-	-	30,496
-	-	-	-	-	30,515	-	30,515
-	-	-	-	-	-	-	93,750
-	-	-	48,357	318,956	-	-	367,313
(5,718)	121,247	(98,277)	-	-	-	(6,083)	(129,392)
(5,718)	121,247	(98,277)	48,357	318,956	30,515	(6,083)	1,940,690
<u>\$ 46,749</u>	<u>\$ 128,138</u>	<u>\$ 104,137</u>	<u>\$ 79,592</u>	<u>\$ 318,956</u>	<u>\$ 30,515</u>	<u>\$ 27,193</u>	<u>\$ 2,578,132</u>

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
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	15,866	-	-
State sources	461,221	-	-	-	-	-
Charges for services	77,872	-	-	-	-	-
Interest and other	4,435	149,111	-	-	12,446	76,469
Special assessments	-	-	-	-	-	-
Total revenue	543,528	149,111	-	15,866	12,446	76,469
Expenditures						
Current:						
Public safety	-	130,000	-	-	19,862	-
Community maintenance, development, and other	719,253	-	53,388	-	-	103,826
Recreation and culture	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	719,253	130,000	53,388	-	19,862	103,826
Excess of Revenue (Under) Over Expenditures	(175,725)	19,111	(53,388)	15,866	(7,416)	(27,357)
Other Financing Sources (Uses)						
Face value of debt issue	-	-	-	-	-	-
Transfers in	285,379	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	285,379	-	-	-	-	-
Net Change in Fund Balances	109,654	19,111	(53,388)	15,866	(7,416)	(27,357)
Fund Balances - Beginning of year	1,153,113	185,629	(87,173)	14,630	86,795	122,229
Fund Balances - End of year	\$ 1,262,767	\$ 204,740	\$ (140,561)	\$ 30,496	\$ 79,379	\$ 94,872

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances (Deficit)
Nonmajor Governmental Funds
Year Ended June 30, 2013

Special Revenue Funds		Debt Service Fund	Capital Projects Funds				Total Nonmajor Governmental Funds
219 - Street Lighting Assessment	790 - Library	301 - Debt Retirement	401 - Capital Projects	436 - District Court Building Fund	852 - Maplewood Road	853 - Maplewood II	
\$ -	\$ 479,429	\$ 1,355,499	\$ -	\$ -	\$ -	\$ -	\$ 1,834,928
-	-	-	315,000	-	-	-	330,866
-	13,137	-	-	-	-	-	474,358
-	-	-	-	-	-	-	77,872
1,257	27,854	748	310	50,302	440	128	323,500
496,691	-	-	-	-	5,990	19,576	522,257
<u>497,948</u>	<u>520,420</u>	<u>1,356,247</u>	<u>315,310</u>	<u>50,302</u>	<u>6,430</u>	<u>19,704</u>	<u>3,563,781</u>
-	-	-	-	-	-	-	149,862
503,606	-	-	-	-	-	-	1,380,073
-	318,030	-	-	-	-	-	318,030
-	-	-	439,842	-	-	-	439,842
-	-	1,351,850	-	-	-	-	1,351,850
<u>503,606</u>	<u>318,030</u>	<u>1,351,850</u>	<u>439,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,639,657</u>
(5,658)	202,390	4,397	(124,532)	50,302	6,430	19,704	(75,876)
-	-	-	22,020	-	-	-	22,020
-	46,079	-	64,436	-	-	-	395,894
-	(127,222)	-	-	-	-	-	(127,222)
-	(81,143)	-	86,456	-	-	-	290,692
(5,658)	121,247	4,397	(38,076)	50,302	6,430	19,704	214,816
(60)	-	(102,674)	86,433	268,654	24,085	(25,787)	1,725,874
<u>\$ (5,718)</u>	<u>\$ 121,247</u>	<u>\$ (98,277)</u>	<u>\$ 48,357</u>	<u>\$ 318,956</u>	<u>\$ 30,515</u>	<u>\$ (6,083)</u>	<u>\$ 1,940,690</u>

City of Garden City, Michigan

Other Supplemental Information Balance Sheet Modified Accrual Basis Downtown Development Authority June 30, 2013

	Downtown Development Authority
Assets	
Cash and investments	\$ 420,245
Receivables - Net	244,442
Prepaid costs and other assets	4,000
Total assets	<u>\$ 668,687</u>
Liabilities	
Accounts payable	\$ 54,057
Accrued and other liabilities	344
Deferred revenue	244,322
Total liabilities	298,723
Equity	
Fund Balance:	
Nonspendable fund balance	4,000
Fund Balance - Unassigned	365,964
Total fund balance	<u>369,964</u>
Total liabilities and equity	<u>\$ 668,687</u>

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, 2013

	Downtown Development Authority
Revenue	
Property taxes	\$ 519,679
Interest and other	<u>55,066</u>
Total revenue	574,745
Expenditures - Current	
Community maintenance, development, and other	533,625
Debt service	<u>224,004</u>
Total expenditures	<u>757,629</u>
Excess of Expenditures Over Revenue	(182,884)
Fund Balance - Beginning of year	<u>552,848</u>
Fund Balance - End of year	<u><u>\$ 369,964</u></u>

City of Garden City, Michigan

Schedules of Indebtedness Governmental Activities Limited Tax Bonds Year Ended June 30, 2013

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	
2013/2014	\$ 300,000	4.50	\$ 26,775	\$ 326,775
2014/2015	295,000	4.50	13,275	308,275
Total	<u>\$ 595,000</u>		<u>\$ 40,050</u>	<u>\$ 635,050</u>

City of Garden City, Michigan

Schedules of Indebtedness Governmental Activities Limited Tax Bonds (Continued) Year Ended June 30, 2013

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

Fiscal Year	Maturity Amount	Interest		Total
		Rate (Percent)	Amount	
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	<u>\$ 1,080,000</u>		<u>\$ 121,025</u>	<u>\$ 1,201,025</u>

City of Garden City, Michigan

Schedules of Indebtedness Governmental Activities Limited Tax Bonds (Continued) Year Ended June 30, 2013

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	
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>\$ 9,155,000</u>		<u>\$ 1,180,150</u>	<u>\$ 10,335,150</u>

City of Garden City, Michigan

Schedules of Indebtedness Business Activities Obligation Bonds Year Ended June 30, 2013

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
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>\$1,425,000</u>		<u>\$ 514,894</u>	<u>\$ 1,939,894</u>

City of Garden City, Michigan

Schedules of Indebtedness Business Activities Obligation Bonds (Continued) Year Ended June 30, 2013

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	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	
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	215,847	524,153	4.800	17,760	5,180	12,580	757,760
Total	<u>\$ 2,355,000</u>	<u>\$ 686,924</u>	<u>\$ 1,668,076</u>		<u>\$ 161,985</u>	<u>\$ 47,248</u>	<u>\$ 114,737</u>	<u>\$ 2,516,985</u>

City of Garden City, Michigan

Schedules of Indebtedness Business-type and Component Unit Development Bonds Year Ended June 30, 2013

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	
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	\$ 2,680,000	\$ 541,360	\$ 2,138,640		\$ 382,136	\$ 77,191	\$304,945	\$ 3,062,136

City of Garden City, Michigan

Schedules of Indebtedness Business-type and Component Unit Development Bonds (Continued) Year Ended June 30, 2013

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	Total Maturity Amount	Maturity Allocation		Interest Rate (Percent)	Total Interest Expense	Interest Allocation		Total
		Component Unit (DDA)	Enterprise Fund			Component Unit (DDA)	Enterprise Fund	
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	265,001	217,539	47,462	5.00	22,750	18,675	4,075	287,751
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	244,999	201,120	43,879	5.00	3,675	3,017	658	248,674
Total	<u>\$ 1,520,000</u>	<u>\$ 1,247,768</u>	<u>\$ 272,232</u>		<u>\$ 114,950</u>	<u>\$ 94,361</u>	<u>\$ 20,589</u>	<u>\$ 1,634,950</u>
State Revolving Fund Debt*						<u>\$ 537,933</u>		

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