

City of Garden City, Michigan

Financial Report with Supplemental Information June 30, 2014

City of Garden City, Michigan

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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 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 as of and for the year ended June 30, 2014, 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

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, 2014 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.

To the Board of Directors
City of Garden City, Michigan

Emphasis of Matter

As discussed in Note 13 to the basic financial statements, in 2014, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, major fund budgetary comparison schedules, and pension and other postemployment benefits schedules of funding progress, as identified on the table of contents, 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 governmental funds 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 governmental funds 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 governmental funds 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 them.

Plante & Morse, PLLC

November 21, 2014

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, 2014. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2014:

- Total net position related to the City's governmental activities decreased 14.1 percent, primarily due to the increasing unfunded liability associated with retiree healthcare.
- The City's taxable value dropped approximately 4 percent from the previous year. This drop, while anticipated, was significantly better than recent years. The appropriate cost cuts, consolidations, and staffing reductions continued.
- 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 expired June 30, 2014. A contract for the Command Officers Association of Michigan (COAM) was recently executed and extends through June 30, 2019. Negotiations are progressing with the remaining bargaining groups.

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 funds 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, provides 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.

City of Garden City, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

The following table shows, in a condensed format, the net position as of June 30, 2014 and compared to the prior year (in millions of dollars):

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Assets						
Current assets	\$ 11.3	\$ 10.8	\$ 13.7	\$ 13.4	\$ 25.0	\$ 24.2
Capital assets	29.6	30.8	33.0	33.4	62.6	64.2
Noncurrent assets	-	-	0.1	-	0.1	-
Total assets	40.9	41.6	46.8	46.8	87.7	88.4
Deferred Outflows of Resources	-	0.0	-	0.0	-	-
Liabilities						
Current liabilities	3.2	3.7	3.9	2.4	7.2	6.1
Long-term liabilities	24.3	26.4	7.2	6.6	31.5	33.0
Total liabilities	27.5	30.1	11.1	9.0	38.6	39.1
Net Position						
Net investment in capital assets	26.7	28.5	27.1	28.8	53.8	57.3
Restricted	4.6	3.7	-	-	4.6	3.7
Unrestricted	(17.9)	(20.7)	8.6	9.0	(9.3)	(11.7)
Total net position	<u>\$ 13.4</u>	<u>\$ 11.5</u>	<u>\$ 35.7</u>	<u>\$ 37.8</u>	<u>\$ 49.1</u>	<u>\$ 49.3</u>

The City's combined net position increased approximately .4 percent from a year ago, increasing from \$49.1 million to \$49.3 million. A review of the governmental activities, separate from the business-type activities, shows a decrease of 14.1 percent, or approximately \$1.9 million, during fiscal year 2014. In contrast, the business-type activities experienced a 5.9 percent, or \$2.1 million, increase in net position during fiscal year 2014.

Governmental unrestricted net position, the portion of net position available to finance day-to-day operations and future growth, changed from a negative \$17.9 million at June 30, 2013 to a negative \$20.7 million at June 30, 2014, primarily because of the increase in the postemployment benefits (retiree healthcare) liability.

In contrast, the business-type unrestricted net position increased by \$0.4 million for the fiscal year ended June 30, 2014. The Water and Sewer Fund is constantly evaluated to assure the long-term stability of the fund and plan for expected and unexpected financial impacts.

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, 2014 and 2013:

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2014	2013	2014	2013	2014
Revenue						
Program revenue:						
Charges for services	\$ 3.4	\$ 3.7	\$ 12.5	\$ 11.3	\$ 15.9	\$ 15.0
Operating grants and contributions	2.7	3.4	-	-	2.7	3.4
Capital grants and contributions	0.4	0.4	-	-	0.4	0.4
General revenue:						
Property taxes	11.1	10.8	-	-	11.1	10.8
State-shared revenue	2.6	2.7	-	-	2.6	2.7
Unrestricted investment earnings	0.2	0.1	-	-	0.2	0.1
Franchise fees	0.5	0.5	-	-	0.5	0.5
Other	0.1	0.1	-	-	0.1	0.1
Total revenue	21.0	21.7	12.5	11.3	33.5	33.0
Program Expenses						
General government	2.0	2.3	-	-	2.0	2.3
Public safety	11.2	11.7	-	-	11.2	11.7
Public works	3.7	3.2	-	-	3.7	3.2
Community maintenance, development, and other	1.2	2.4	-	-	1.2	2.4
Culture and recreation	2.3	2.4	-	-	2.3	2.4
District court	1.0	1.1	-	-	1.0	1.1
Interest expense	0.5	0.4	-	-	0.5	0.4
Water and sewer	-	-	9.8	7.7	9.8	7.7
Rubbish disposal	-	-	1.5	1.5	1.5	1.5
Total program expenses	21.9	23.5	11.3	9.2	33.2	32.7
Transfers	(0.7)	-	0.7	-	-	-
Change in Net Position	\$ (1.6)	\$ (1.8)	\$ 1.9	\$ 2.1	\$ 0.3	\$ 0.3

Governmental Activities

The City's total governmental revenue and other items increased by approximately \$0.6 million, mostly due to increased capital grants and contributions (special assessments on new road projects), court fines, building revenues, and a slight increase in state revenue sharing.

Governmental expenses increased by approximately 7.3 percent, or \$1.6 million. Additional expenditures were made to increase public safety personnel, much of which was offset by grant funding. Additional grant awards were received and expended in family resources, culture, and recreation. 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 directly to homes and businesses from the Detroit Water and Sewerage Department (DWSD). Residents and businesses also receive to-the-curb rubbish collection service. Both funds remain in a positive net position. The Water and Sewer Fund is experiencing a net operating income. Charges for services decreased as a result of lower water usage in the current year, with a corresponding decrease in costs from the City of Detroit. Charges have been reduced in the next fiscal year so that the income benefits the user. The rubbish collection fund operated at a net loss for the year.

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, 2014 included the General Fund and the Major Streets Fund, in accordance with GASB requirements.

The City's business-type activities consist of the Water and Sewer Fund and Rubbish Collection Fund. We provide water and sewer services directly to homes and businesses from the Detroit Water and Sewerage Department (DWSD). Residents and businesses also receive to-the-curb rubbish collection service. Both funds remain in a positive net position. The Water and Sewer Fund is experiencing a net operating income. The Rubbish Collection Fund operated at a net loss for the year.

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 FY 2014. 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, adding just under \$250,000. The majority of the budget increase covered capital public safety purchases and emergency road remediation. Other appropriations were made to acknowledge grant receipts. 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 \$3,761,149 a year ago to \$3,880,114 at June 30, 2014.

City of Garden City, Michigan

Management's Discussion and Analysis (Continued)

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.

Economic Factors and Next Year's Budgets and Rates

The City's budget for fiscal year 2015 anticipates a reverse in the decline in taxable values, probably achieving a small increase. State-shared revenues are also showing an increase. The City has been successful in acquiring several grants which complement its economic strategies. We have not needed to tap into our fund balance, and instead have added to it. Our voter-approved public safety millage will expire after fiscal year 2016. Voters will need to consider whether a renewal is appropriate.

Development within the City is increasing. Major taxpayers are expanding and restructuring, which results in an increased taxable value for the City.

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 ended 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, 2014

	Primary Government			Component Unit - DDA
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 2)	\$ 8,734,789	\$ 9,244,732	\$ 17,979,521	\$ 236,888
Receivables:				
Property taxes receivable	338,568	-	338,568	-
Receivables from sales to customers on account	-	4,079,664	4,079,664	-
Accrued interest receivable	5,831	5,933	11,764	153
Other receivables	346,466	-	346,466	-
Special assessments receivable	292,052	-	292,052	260,874
Prepaid costs and other assets	368,750	46,714	415,464	-
Due from other governmental units	734,954	-	734,954	-
Capital assets (Note 4):				
Assets not subject to depreciation	1,474,319	468,210	1,942,529	-
Assets subject to depreciation	29,290,485	32,946,020	62,236,505	1,694,002
Total assets	41,586,214	46,791,273	88,377,487	2,191,917
Deferred Outflows of Resources -				
Bond refunding loss being amortized	34,195	4,437	38,632	20,332
Liabilities				
Accounts payable	819,892	1,037,925	1,857,817	10,342
Due to other governmental units	3,613	-	3,613	-
Accrued and other liabilities	349,715	58,009	407,724	7,060
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	328,266	50,883	379,149	-
Current portion of long-term debt	2,122,727	1,228,468	3,351,195	221,643
Due in more than one year:				
Compensated absences (Note 6)	530,657	39,076	569,733	-
Net OPEB obligation (Note 10)	17,330,315	3,268,001	20,598,316	-
Long-term debt	8,579,027	3,343,680	11,922,707	837,318
Total liabilities	30,064,212	9,026,042	39,090,254	1,076,363
Net Position				
Net investment in capital assets	28,548,733	28,846,519	57,395,252	655,373
Restricted for:				
Streets and highways	2,879,795	-	2,879,795	-
Capital projects	55,338	-	55,338	-
Police grant activities	94,641	-	94,641	-
911	248,867	-	248,867	-
Franchise PEG fees	87,234	-	87,234	-
Debt service	30,105	-	30,105	-
Housing rehabilitation	37,240	-	37,240	-
Library	274,159	-	274,159	-
Streetlighting	515	-	515	-
Unrestricted	(20,700,430)	8,923,149	(11,777,281)	480,513
Total net position	<u>\$ 11,556,197</u>	<u>\$ 37,769,668</u>	<u>\$ 49,325,865</u>	<u>\$ 1,135,886</u>

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

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	\$ 2,272,958	\$ 593,697	\$ -	\$ 3,067
21st District Court	1,133,424	1,074,461	45,724	-
Public safety	11,701,183	713,827	290,127	-
Public works	3,177,328	473,430	1,741,902	312,306
Community maintenance, development, and other	2,440,626	351,111	433,417	104,424
Recreation and culture	2,437,000	466,288	857,809	-
Debt service	366,794	-	-	-
Total governmental activities	<u>23,529,313</u>	<u>3,672,814</u>	<u>3,368,979</u>	<u>419,797</u>
Business-type activities:				
Water and Sewer Fund	7,768,191	10,041,744	-	-
Rubbish Collection Fund	<u>1,539,660</u>	<u>1,307,854</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>9,307,851</u>	<u>11,349,598</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 32,837,164</u>	<u>\$ 15,022,412</u>	<u>\$ 3,368,979</u>	<u>\$ 419,797</u>
Component units	<u>\$ 521,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,556</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

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

**Statement of Activities
Year Ended June 30, 2014**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit - Downtown Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (1,676,194)	\$ -	\$ (1,676,194)	\$ -
(13,239)	-	(13,239)	-
(10,697,229)	-	(10,697,229)	-
(649,690)	-	(649,690)	-
(1,551,674)	-	(1,551,674)	-
(1,112,903)	-	(1,112,903)	-
(366,794)	-	(366,794)	-
(16,067,723)	-	(16,067,723)	-
-	2,273,553	2,273,553	-
-	(231,806)	(231,806)	-
-	2,041,747	2,041,747	-
(16,067,723)	2,041,747	(14,025,976)	-
-	-	-	(504,132)
10,793,085	-	10,793,085	494,553
2,735,956	-	2,735,956	-
118,504	18,713	137,217	-
479,024	-	479,024	-
88,446	-	88,446	-
24,002	-	24,002	-
14,239,017	18,713	14,257,730	494,553
(1,828,706)	2,060,460	231,754	(9,579)
13,384,903	35,709,208	49,094,111	1,145,465
\$ 11,556,197	\$ 37,769,668	\$ 49,325,865	\$ 1,135,886

City of Garden City, Michigan

Governmental Funds Balance Sheet June 30, 2014

	General Fund	Major Streets Fund	Nonmajor Funds	Total
Assets				
Cash and investments	\$ 3,846,606	\$ 1,722,473	\$ 2,159,794	\$ 7,728,873
Receivables	578,800	177,033	226,447	982,280
Due from other funds	23,781	-	-	23,781
Prepaid costs and other assets	342,421	-	829	343,250
Due from other governmental units	462,956	193,662	78,336	734,954
Total assets	<u>\$ 5,254,564</u>	<u>\$ 2,093,168</u>	<u>\$ 2,465,406</u>	<u>\$ 9,813,138</u>
Liabilities				
Accounts payable	\$ 486,815	\$ 122,509	\$ 164,789	\$ 774,113
Due to other governmental units	-	-	3,613	3,613
Due to other funds	-	-	23,781	23,781
Accrued and other liabilities	258,730	-	7,594	266,324
Total liabilities	745,545	122,509	199,777	1,067,831
Deferred Inflows of Resources -				
Unavailable revenue	68,541	176,009	152,053	396,603
Fund Balances				
Nonspendable - Prepaids	342,421	-	829	343,250
Restricted:				
Roads	-	1,794,650	820,540	2,615,190
Public safety	-	-	343,508	343,508
Debt service	-	-	21,366	21,366
Housing rehabilitation	-	-	37,240	37,240
Capital projects	-	-	39,566	39,566
PEG fees	-	-	87,234	87,234
Library	-	-	271,347	271,347
Street lighting	-	-	515	515
Assigned - Capital projects	-	-	528,395	528,395
Fund balance - Unassigned	4,098,057	-	(36,964)	4,061,093
Total fund balances	<u>4,440,478</u>	<u>1,794,650</u>	<u>2,113,576</u>	<u>8,348,704</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,254,564</u>	<u>\$ 2,093,168</u>	<u>\$ 2,465,406</u>	<u>\$ 9,813,138</u>

City of Garden City, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2014

Fund Balance Reported in Governmental Funds	\$ 8,348,704
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	30,764,804
Deferred charges on refunding	34,195
Special assessments, grant receivables, and property taxes are expected to be collected over several years and are not available	396,603
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(10,390,266)
Accrued interest is not due and payable in the current period and is not reported in the funds	(83,391)
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	(858,923)
Net other postemployment benefits obligation	(17,330,315)
Internal service funds are included as part of governmental activities	<u>674,786</u>
Net Position of Governmental Activities	<u>\$ 11,556,197</u>

City of Garden City, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2014

	General Fund	Major Streets Fund	Nonmajor Funds	Total
Revenue				
Property taxes	\$ 8,889,097	\$ -	\$ 1,900,635	\$ 10,789,732
Licenses and permits	41,532	-	-	41,532
Federal sources	130,571	-	228,669	359,240
State sources	4,766,774	1,228,799	540,285	6,535,858
Charges for services	1,567,325	-	73,703	1,641,028
21st District Court	1,014,720	-	-	1,014,720
Interest and other	461,175	3,545	359,215	823,935
Cable franchise fees	539,357	-	-	539,357
Special assessments	578	58,543	552,096	611,217
	<u>17,411,129</u>	<u>1,290,887</u>	<u>3,654,603</u>	<u>22,356,619</u>
Expenditures				
Current:				
General government	2,136,145	-	-	2,136,145
21st District Court	828,124	-	-	828,124
Public safety	8,567,833	-	139,816	8,707,649
Public service	1,842,167	1,765,315	54	3,607,536
Community maintenance, development, and other	615,050	-	2,447,231	3,062,281
Recreation and culture	1,758,403	-	353,115	2,111,518
Capital outlay	-	-	481,120	481,120
Debt service	980,128	-	1,321,464	2,301,592
	<u>16,727,850</u>	<u>1,765,315</u>	<u>4,742,800</u>	<u>23,235,965</u>
Excess of Revenue Over (Under)				
Expenditures	683,279	(474,428)	(1,088,197)	(879,346)
Other Financing Sources (Uses)				
Face value of debt issue	-	-	162,485	162,485
Transfers in	-	-	1,098,598	1,098,598
Transfers out	(510,212)	(588,386)	-	(1,098,598)
	<u>(510,212)</u>	<u>(588,386)</u>	<u>1,261,083</u>	<u>162,485</u>
Total other financing (uses) sources	<u>(510,212)</u>	<u>(588,386)</u>	<u>1,261,083</u>	<u>162,485</u>
Net Change in Fund Balances	173,067	(1,062,814)	172,886	(716,861)
Fund Balances - Beginning of year	4,267,411	2,857,464	1,939,482	9,064,357
Fund Balances - End of year	<u>\$ 4,440,478</u>	<u>\$ 1,794,650</u>	<u>\$ 2,112,368</u>	<u>\$ 8,347,496</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, 2014

Net Change in Fund Balances - Total Governmental Funds	\$	(716,861)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:</p>		
Capital outlay		3,113,512
Depreciation expense		(1,979,712)
Net book value of assets disposed of		(9,686)
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 within 60 days of year end		106,978
Bond issuance costs were not reported as other financing uses on the statement of activities because they are capitalized and amortized over the term of the bond prior to GASB 65		(138,815)
Issuing debt provides financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position		(162,485)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		1,916,852
Change in accrued interest payable and other		17,697
Change in personal property tax revenue		31,179
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		(10,427)
Change in net other postemployment benefits liability is recorded when incurred in the statement of activities		(4,144,843)
Internal service funds are included as part of governmental activities		147,905
Change in Net Position of Governmental Activities	\$	<u>(1,828,706)</u>

City of Garden City, Michigan

Proprietary Funds Statement of Net Position June 30, 2014

	Enterprise Funds			Governmental Activities
	Water and Sewer	Rubbish	Total	Internal Service
	Fund	Collection Fund		Fund
Assets				
Current assets:				
Cash and investments	\$ 8,725,556	\$ 519,176	\$ 9,244,732	\$ 1,005,916
Receivables - Net:				
Accrued interest receivable	5,604	329	5,933	637
Customer receivables	4,079,664	-	4,079,664	-
Prepaid costs and other assets	46,714	-	46,714	25,500
Total current assets	12,857,538	519,505	13,377,043	1,032,053
Noncurrent assets - Capital assets (Note 4):				
Assets not subject to depreciation	468,210	-	468,210	-
Assets subject to depreciation	32,946,020	-	32,946,020	-
Total assets	46,271,768	519,505	46,791,273	1,032,053
Deferred Outflows of Resources - Bond refunding loss being amortized	4,437	-	4,437	-
Liabilities				
Current liabilities:				
Accounts payable	760,499	277,426	1,037,925	45,779
Accrued and other liabilities	58,009	-	58,009	-
Compensated absences (Note 6)	50,883	-	50,883	-
Current portion of long-term debt	1,228,468	-	1,228,468	-
Total current liabilities	2,097,859	277,426	2,375,285	45,779
Noncurrent liabilities:				
Compensated absences (Note 6)	39,076	-	39,076	-
Net other postemployment benefit obligation	3,268,001	-	3,268,001	-
Long-term debt	3,343,680	-	3,343,680	311,488
Total noncurrent liabilities	6,650,757	-	6,650,757	311,488
Total liabilities	8,748,616	277,426	9,026,042	357,267
Net Position				
Net investment in capital assets	28,846,519	-	28,846,519	-
Unrestricted	8,681,070	242,079	8,923,149	674,786
Total net position	<u>\$ 37,527,589</u>	<u>\$ 242,079</u>	37,769,668	<u>\$ 674,786</u>
Net Position of Business-type Activities			<u>\$ 37,769,668</u>	

City of Garden City, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2014

	Enterprise Funds		Governmental
	Water and Sewer Fund	Rubbish Collection Fund	Activities Internal Service Fund
Operating Revenue			
Water and sewer services	\$ 9,623,870	\$ -	\$ 9,623,870
Interest and other	417,874	-	417,874
Charges for services	-	1,307,854	1,307,854
	<u>10,041,744</u>	<u>1,307,854</u>	<u>11,349,598</u>
Total operating revenue			288,072
Operating Expenses			
Cost of water	1,068,284	-	1,068,284
Cost of sewage treatment	1,633,760	-	1,633,760
Cost of rubbish disposal	-	1,539,660	1,539,660
Supplies	151,694	-	151,694
Personnel services	2,338,077	-	2,338,077
Other services and charges	1,385,553	-	1,385,553
Claims expense	-	-	142,045
Depreciation and amortization	988,687	-	988,687
	<u>7,566,055</u>	<u>1,539,660</u>	<u>9,105,715</u>
Total operating expenses			142,045
Operating Income (Loss)	2,475,689	(231,806)	2,243,883
Nonoperating Revenue (Expenses)			
Investment income	17,228	1,485	18,713
Interest expense	(202,136)	-	(202,136)
	<u>(184,908)</u>	<u>1,485</u>	<u>(183,423)</u>
Total nonoperating (expenses) revenue			1,878
Change in Net Position	2,290,781	(230,321)	2,060,460
Net Position - Beginning of year	35,236,808	472,400	35,709,208
Net Position - End of year	<u>\$ 37,527,589</u>	<u>\$ 242,079</u>	<u>\$ 37,769,668</u>
			<u>\$ 674,786</u>

City of Garden City, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2014

	Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Rubbish Collection Fund	Total	Internal Service Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 11,237,731	\$ 1,403,135	\$ 12,640,866	\$ 288,072
Payments to suppliers	(5,431,907)	(1,531,823)	(6,963,730)	-
Payments to employees	(1,911,133)	-	(1,911,133)	-
Claims paid	-	-	-	(184,815)
Net cash provided by (used in) operating activities	3,894,691	(128,688)	3,766,003	103,257
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(1,433,247)	-	(1,433,247)	-
Principal and interest paid on capital debt	(1,407,445)	-	(1,407,445)	-
Net cash used in capital and related financing activities	(2,840,692)	-	(2,840,692)	-
Cash Flows from Investing Activities -				
Interest received on investments	13,820	1,342	15,162	1,500
Net Increase (Decrease) in Cash and Cash Equivalents	1,067,819	(127,346)	940,473	104,757
Cash and Cash Equivalents - Beginning of year	7,657,737	646,522	8,304,259	901,159
Cash and Cash Equivalents - End of year	<u>\$ 8,725,556</u>	<u>\$ 519,176</u>	<u>\$ 9,244,732</u>	<u>\$ 1,005,916</u>
Balance Sheet Classification of Cash and Cash Equivalents - Cash and investments	<u>\$ 8,725,556</u>	<u>\$ 519,176</u>	<u>\$ 9,244,732</u>	<u>\$ 1,005,916</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 2,475,689	\$ (231,806)	\$ 2,243,883	\$ 146,027
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	988,687	-	988,687	-
Changes in assets and liabilities:				
Receivables	1,195,987	95,281	1,291,268	-
Prepaid and other assets	(6,497)	-	(6,497)	-
Accounts payable	(1,444,337)	7,837	(1,436,500)	-
Estimated claims liability	-	-	-	(42,770)
Increase in OPEB liability	685,162	-	685,162	-
Net cash provided by (used in) operating activities	<u>\$ 3,894,691</u>	<u>\$ (128,688)</u>	<u>\$ 3,766,003</u>	<u>\$ 103,257</u>

City of Garden City, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2014

	<u>Agency Funds</u>
Assets - Cash and cash equivalents	<u>\$ 872,227</u>
Liabilities	
Accounts payable	\$ 508,321
Due to other governmental units	<u>363,906</u>
Total liabilities	<u>\$ 872,227</u>

City of Garden City, Michigan

Notes to Financial Statements June 30, 2014

Note I - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the City of Garden City, Michigan (the "City"):

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 (see discussion below for description).

Blended Component Units - 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 Units - The following component unit is reported within the component unit column in the financial statements. It is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City.

Downtown Development Authority -The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and 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 II 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 - Summary of Significant Accounting Policies (Continued)

Accounting and Reporting Principles

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. 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. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenues 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. The statements also present a schedule reconciling these amounts to the modified accrual based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues 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. Taxes and other items not properly included among program revenues are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these 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 revenues reported for the various functions concerned.

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.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Note I - Summary of Significant Accounting Policies (Continued)

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow."

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund Accounting

The City accounts for its various activities in several different funds, in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures for which specific revenues were used. The various funds are aggregated into four broad fund types:

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The City reports the following funds as "major" governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.
- The Major Streets Fund accounts for the resources of state gas and weight tax revenue that is restricted for use on major streets.

Note I - Summary of Significant Accounting Policies (Continued)

Proprietary funds include enterprise funds, which provide goods or services to users in exchange for charges or fees. The City reports the following funds as "major" enterprise funds:

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

Interfund Activity: During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

City of Garden City, Michigan

Notes to Financial Statements June 30, 2014

Note I - Summary of Significant Accounting Policies (Continued)

Specific Balances and Transactions

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:

<u>Capital Asset Class</u>	<u>Lives (Years)</u>
Roads, bridges, and sidewalks	9-30
Water and sewer distribution systems	50-100
Drain separation project	40-50
Buildings and improvements	50
Vehicles and equipment	3-10
Meters	5-15
Office furnishings	5-10
Machinery and equipment	3-10

Note I - Summary of Significant Accounting Policies (Continued)

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 position. Bond premiums and discounts 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 expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The General Fund and debt service funds are generally used to liquidate governmental long-term debt. The Water and Sewer Fund is used to liquidate proprietary fund long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category: deferred charges on bond refunding.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category: deferred inflows of resources related to unavailable revenue. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note I - Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Property taxes are assessed as of December 31. The related property taxes are levied and become a lien on each July 1 on the taxable valuation of property as of the preceding December 31. Summer taxes are considered delinquent on September 15 of the following year at which time penalties and interest are assessed. Delinquent summer and winter taxes are turned over to the County on March 1, at which time penalties and interest are assessed by the County.

Note 1 - Summary of Significant Accounting Policies (Continued)

The City's 2013 tax is levied and collectible on July 1, 2013 and is recognized as revenue in the year ended June 30, 2014, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2013 taxable valuation of the City totaled \$481 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 2.9892 mills for judgment debt. The ad valorem taxes levied raised \$6.4 million for operating purposes, \$393,000 for refuse collection, \$461,000 for library operations, \$1.6 million for public safety, and \$1.4 million for the judgment debt. A portion of the operating millage is captured for the Downtown Development Authority.

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.

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. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. All other accrued compensated absences are reported in the government-wide financial statements; generally the funds that report each employee's compensation (the General Fund and Water and Sewer Fund) are used to liquidate obligation.

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer and Rubbish Collection Funds are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 at least 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 which 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, 2014

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 \$7,336,022 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	\$ 7,495,805	79 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 commercial paper to have been rated within the top two rating categories by two nationally recognized statistical rating organizations. 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	\$ 1,015,845	N/A	N/A
Money market	253,294	N/A	N/A
Money market	583,675	N/A	N/A
Money market	207,583	N/A	N/A
Commercial paper	999,170	A1	Moody's
Commercial paper	2,499,450	A1	Moody's
Commercial paper	1,497,960	A2	Moody's
Commercial paper	1,499,925	A1	Moody's
Commercial paper	999,300	A1	Moody's

City of Garden City, Michigan

Notes to Financial Statements June 30, 2014

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, 2014 is \$1,150,345.

Shortfall at July 1, 2013	\$ (992,310)
Current year permit revenue	457,015
Related expenses - Direct costs	<u>615,050</u>
Current year shortfall	<u>(158,035)</u>
Cumulative shortfall at June 30, 2014	<u>\$ (1,150,345)</u>

Note 4 - Capital Assets

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

	Balance July 1, 2013	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2014
Governmental Activities					
Capital assets not being depreciated:					
Land and land improvements	\$ 1,414,961	\$ -	\$ -	\$ -	\$ 1,414,961
Construction in progress	541,323	(541,323)	59,358	-	59,358
Subtotal	1,956,284	(541,323)	59,358	-	1,474,319
Capital assets being depreciated:					
Roads and sidewalks	94,660,421	541,323	2,246,890	-	97,448,634
Buildings and improvements	6,965,096	-	280,453	-	7,245,549
Vehicles and equipment	11,174,132	-	526,811	(351,750)	11,349,193
Subtotal	112,799,649	541,323	3,054,154	(351,750)	116,043,376
Accumulated depreciation:					
Roads and sidewalks	71,582,357	-	1,624,904	-	73,207,261
Buildings and improvements	3,194,121	-	120,920	-	3,315,041
Vehicles and equipment	10,338,765	-	233,888	(342,064)	10,230,589
Subtotal	85,115,243	-	1,979,712	(342,064)	86,752,891
Net capital assets being depreciated	<u>27,684,406</u>	<u>541,323</u>	<u>1,074,442</u>	<u>(9,686)</u>	<u>29,290,485</u>
Net capital assets	<u>\$ 29,640,690</u>	<u>\$ -</u>	<u>\$ 1,133,800</u>	<u>\$ (9,686)</u>	<u>\$ 30,764,804</u>

City of Garden City, Michigan

Notes to Financial Statements June 30, 2014

Note 4 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2013	Additions	Disposals and Adjustments	Balance June 30, 2014
Capital assets not being depreciated - Construction in progress	\$ 59,700	\$ 421,631	\$ (13,121)	\$ 468,210
Capital assets being depreciated:				
Water and sewer distribution systems	14,950,729	811,876	-	15,762,605
Drain separation project	28,122,982	-	-	28,122,982
Vehicles	1,316,757	-	(170,453)	1,146,304
Meters	2,882,051	-	-	2,882,051
Office furnishings	68,556	34,610	-	103,166
Machinery and equipment	889,087	139,809	-	1,028,896
Subtotal	48,230,162	986,295	(170,453)	49,046,004
Accumulated depreciation:				
Water and sewer distribution systems	4,453,717	159,886	-	4,613,603
Drain separation project	7,874,436	562,460	-	8,436,896
Vehicles	1,025,011	44,490	(170,453)	899,048
Meters	1,149,274	143,980	-	1,293,254
Office furnishings	46,418	6,723	-	53,141
Machinery and equipment	771,335	32,707	-	804,042
Subtotal	15,320,191	950,246	(170,453)	16,099,984
Net capital assets being depreciated	32,909,971	36,049	-	32,946,020
Net capital assets	<u>\$ 32,969,671</u>	<u>\$ 457,680</u>	<u>\$ (13,121)</u>	<u>\$ 33,414,230</u>
	Balance July 1, 2013	Additions	Disposals	Balance June 30, 2014
Component Units				
Capital assets being depreciated:				
Land improvements	\$ 2,512,400	\$ -	\$ -	\$ 2,512,400
Equipment	106,549	28,042	-	134,591
Subtotal	2,618,949	28,042	-	2,646,991
Accumulated depreciation:				
Land improvements	799,504	52,222	-	851,726
Equipment	97,935	3,328	-	101,263
Subtotal	897,439	55,550	-	952,989
Net capital assets	<u>\$ 1,721,510</u>	<u>\$ (27,508)</u>	<u>\$ -</u>	<u>\$ 1,694,002</u>

City of Garden City, Michigan

Notes to Financial Statements June 30, 2014

Note 4 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 63,968
Public safety	248,890
Public works	1,617,079
Recreation and culture	49,775
Total governmental activities	<u>\$ 1,979,712</u>

Business-type activities - Water and sewer	<u>\$ 950,246</u>
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Note 5 - 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>\$ 23,781</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	Other nonmajor governmental funds (2)	\$ 510,212
Major Streets Fund	Local Streets Fund (1)	<u>588,386</u>
	Total	<u>\$ 1,098,598</u>

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

(2) Transfer for capital projects, asset purchases, and operating expenditures

City of Garden City, Michigan

Notes to Financial Statements June 30, 2014

Note 6 - 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 that 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	\$ 595,000	\$ -	\$ 300,000	\$ 295,000	\$ 295,000
2001 Sewage Disposal System							
Refunding Bonds:							
Amount of issue: \$2,821,700	4.75% -	\$215,847 -					
Maturing through 2016	4.80%	\$253,769	686,925	-	253,770	433,155	217,308
2004 General Obligation Limited							
Tax Refunding Bonds:							
Amount of issue: \$1,090,000	3.50% -	\$2,020 -					
Maturing through 2022	4.20%	\$116,150	541,360	-	104,030	437,330	113,120
2005 General Obligation Limited							
Tax Refunding Bonds:							
Amount of issue: \$2,305,000	4.00% -	\$160,000 -					
Maturing through 2018	5.00%	\$240,000	1,080,000	-	205,000	875,000	200,000
2011 General Obligation Tax							
Refunding Bonds:							
Amount of issue: \$11,190,000	2.00% -	\$900,000 -					
Maturing through 2020	4.00%	\$1,600,000	9,155,000	-	1,015,000	8,140,000	1,215,000
Installment notes:							
Amount of issue: \$99,450		\$18,074 -					
Maturing through 2015	4.79%	\$21,793	62,437	-	19,846	42,591	20,797
Amount of issue: \$42,622		\$9,231	9,230	-	9,230	-	-
Maturing through 2014							
Amount of issue: \$22,020		\$7,340	14,680	-	-	14,680	7,340
Maturing through 2015							
Amount of issue: \$162,485		9975	-	162,485	9,975	152,510	54,162
Maturing through 2016							
Total bonds and notes payable			12,144,632	162,485	1,916,851	10,390,266	2,122,727
Self-insurance claims			397,660	-	86,172	311,488	-
Compensated absences			848,596	10,327	-	858,923	328,266
Total governmental activities			\$ 13,390,888	\$ 172,812	\$ 2,003,023	\$11,560,677	\$ 2,450,993

City of Garden City, Michigan

Notes to Financial Statements June 30, 2014

Note 6 - 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	\$ 1,668,073	\$ -	\$ 616,230	\$ 1,051,843	\$ 527,692
State Revolving Fund Debt:							
Amount of issue: \$2,435,000	2.00% -	\$101,000 -					
Maturing through 2016	2.25%	\$121,000	330,936	-	106,000	224,936	116,000
2004 General Obligation Limited							
Tax Refunding Bonds:							
Amount of issue: \$4,295,000	3.375% -	\$7,980 -					
Maturing through 2022	4.20%	\$458,850	2,138,640	-	410,970	1,727,670	446,880
2008 General Obligation Limited							
Tax Bond:							
Amount of issue: \$1,610,000	3.75% -	\$50,000 -					
Maturing through 2028	4.50%	\$125,000	1,425,000	-	75,000	1,350,000	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	272,232	-	41,189	231,043	48,357
BS&A Financial Software - \$43,610							
Maturing 2016		3000	-	43,610	3,000	40,610	14,539
Total bonds payable			5,834,881	43,610	1,252,389	4,626,102	1,228,468
Compensated absences			105,713	-	15,754	89,959	50,883
Total business-type activities			<u>\$ 5,940,594</u>	<u>\$ 43,610</u>	<u>\$ 1,268,143</u>	<u>\$ 4,716,061</u>	<u>\$ 1,279,351</u>
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	<u>\$ 1,247,769</u>	<u>\$ -</u>	<u>\$ 188,808</u>	<u>\$ 1,058,961</u>	<u>\$ 221,643</u>

Total interest related to governmental and business-type activities for the year approximated \$407,000 and \$202,000, respectively. Total interest incurred related to component units for the year approximated \$26,000.

City of Garden City, Michigan

Notes to Financial Statements June 30, 2014

Note 6 - 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
2015	\$ 2,122,727	\$ 345,176	\$ 2,467,903	\$ 1,228,466	\$ 157,883	\$ 1,386,349	\$ 221,643	\$ 23,067	\$ 244,710
2016	2,022,952	257,819	2,280,771	1,228,955	112,006	1,340,961	217,539	18,675	236,214
2017	1,719,206	180,006	1,899,212	141,082	86,533	227,615	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	1,637,561	84,009	1,721,570	326,360	72,936	399,296	201,120	3,017	204,137
2020-2024	1,051,000	38,307	1,089,307	1,098,484	196,006	1,294,490	-	3,017	3,017
2023-2027	-	-	-	475,000	44,438	519,438	-	-	-
Total	<u>\$10,390,466</u>	<u>\$ 1,043,117</u>	<u>\$11,433,583</u>	<u>\$ 4,626,102</u>	<u>\$ 751,499</u>	<u>\$ 5,377,601</u>	<u>\$ 1,058,961</u>	<u>\$ 70,207</u>	<u>\$ 1,129,168</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 \$52,150,000. Information regarding the status of the bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source.

Note 7 - 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, 2014

Note 7 - 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	
	2014	2013	2014	2013
Unpaid claims - Beginning of year	\$ 362,509	\$ 737,700	\$ 35,150	\$ 79,819
Estimated claims incurred, including changes in estimates	(298,182)	(288,131)	217,643	65,568
Deposits at the Authority to fund claims	205,146	173,840	-	-
Claim payments	(75,139)	(260,900)	(135,639)	(110,237)
Unpaid claims - End of year	<u>\$ 194,334</u>	<u>\$ 362,509</u>	<u>\$ 117,154</u>	<u>\$ 35,150</u>

Note 8 - 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, 2014, the City's annual pension cost of \$1,533,789 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, 2011, 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 22 years.

City of Garden City, Michigan

Notes to Financial Statements June 30, 2014

Note 8 - 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		
	2014	2013	2012
Annual pension cost (APC)	\$ 1,533,789	\$ 1,327,738	\$ 1,062,459
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -
	Valuation Date as of December 31		
	2013	2012	2011
Actuarial value of assets	\$ 58,609,088	\$ 58,002,961	\$ 58,834,248
Actuarial accrued liability (AAL)			
(entry age)	\$ 78,147,714	\$ 75,208,679	\$ 73,458,694
Unfunded AAL (UAAL)	\$ 19,538,626	\$ 17,205,718	\$ 14,624,446
Funded ratio	75.0 %	77.1 %	80.1 %
Covered payroll	\$ 5,682,296	\$ 5,495,028	\$ 5,523,129
UAAL as a percentage of covered payroll	343.9 %	313.1 %	264.8 %

Note 9 - 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, 2014, the City's annual pension cost of \$79,916 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, 2014

Note 9 - Defined Benefit Pension Plan - District Court Employees (Continued)

Three-year Trend Information

	Fiscal Year Ended June 30		
	2014	2013	2012
Annual pension cost (APC)	\$ 79,916	\$ 50,091	\$ 64,523
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of December 31		
	2013	2012	2011
Actuarial value of assets	\$ 1,647,187	\$ 1,486,022	\$ 1,440,590
Actuarial accrued liability (AAL) (entry age)	\$ 2,181,768	\$ 1,957,080	\$ 1,859,847
Unfunded AAL (UAAL)	\$ 534,581	\$ 471,058	\$ 419,257
Funded ratio	75.5 %	75.9 %	77.5 %
Covered payroll	\$ 332,623	\$ 296,253	\$ 266,346
UAAL as a percentage of covered payroll	160.7 %	159.0 %	157.4 %

Actuarial Methods and Assumptions - In the December 31, 2013 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 25 years.

Note 10 - 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, 2014

Note 10 - 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, 2014, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2014. 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	472,560
Less adjustment to the annual required contribution	<u>(495,501)</u>
Annual OPEB cost	7,195,166
Amounts contributed - Payments of current premiums	<u>(2,348,853)</u>
Increase in net OPEB obligation	4,846,313
OPEB obligation - Beginning of year	<u>15,752,003</u>
OPEB obligation - End of year	<u>\$ 20,598,316</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	
6/30/12	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
6/30/14	7/1/12	7,218,107	7,218,107	32.5 %	32.5 %	20,598,316

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

City of Garden City, Michigan

Notes to Financial Statements June 30, 2014

Note 10 - 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, 2014 was 29 years.

City of Garden City, Michigan

Notes to Financial Statements June 30, 2014

Note 11 - 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, 2014. 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 26 years as the costs come due.

The City contributed \$456,133 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 12 - Upcoming Accounting Pronouncements

In June 2012, the GASB issued 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.

City of Garden City, Michigan

Notes to Financial Statements June 30, 2014

Note 13 - Change in Accounting

During the current year, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as deferred inflows of resources, deferred outflows of resources, or outflows of resources.

As a result of implementing this statement, the following assets and liabilities have been reclassified, as indicated:

<u>Item</u>	<u>Amount</u>	<u>Prior Reporting Classification/Treatment</u>	<u>New Classification after Adoption of GASB 65</u>
Revenue in governmental funds not collected within 60 days of year end	\$ 396,603	Liability	Deferred inflow of resources
Unamortized bond issuance costs in the statement of net position	146,949	Liability	Expense
Deferred charges on refunding	58,964	Liability	Deferred outflow of resources

Note 14 - 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.

Required Supplemental Information

City of Garden City, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 7,177,810	\$ 7,177,810	\$ 7,279,328	\$ 101,518
Licenses and permits	39,000	39,000	41,532	2,532
Federal sources	134,000	132,400	121,276	(11,124)
State sources	4,393,367	4,393,367	4,601,109	207,742
Charges for services	724,576	748,058	638,748	(109,310)
21st District Court	867,000	867,000	1,014,720	147,720
Interest and other	415,914	415,914	447,545	31,631
Cable franchise fees	480,000	480,000	539,357	59,357
Other income	-	-	543	543
Total revenue	14,231,667	14,253,549	14,684,158	430,609
Expenditures				
Current:				
General government:				
Mayor and Council	42,283	42,561	33,983	8,578
Boards and commissions	44,162	44,162	39,747	4,415
Clerk/Treasurer	865,370	865,370	802,163	63,207
General government services	1,281,669	1,281,669	1,035,432	246,237
City administration	312,400	312,122	224,820	87,302
Total general government	2,545,884	2,545,884	2,136,145	409,739
21st District Court	855,889	855,889	828,124	27,765
Department of public service	1,909,383	2,024,383	1,842,167	182,216
Recreation and culture	1,804,351	1,876,233	1,758,403	117,830
Debt service	979,726	979,726	980,128	(402)
Total expenditures	8,095,233	8,282,115	7,544,967	737,148
Excess of Revenue Over Expenditures	6,136,434	5,971,434	7,139,191	1,167,757
Other Financing Uses -				
Transfers out	(7,131,817)	(7,191,817)	(7,020,226)	171,591
Net Change in Fund Balance	(995,383)	(1,220,383)	118,965	1,339,348
Fund Balance - Beginning of year	3,761,149	3,761,149	3,761,149	-
Fund Balance - End of year	<u>\$ 2,765,766</u>	<u>\$ 2,540,766</u>	<u>\$ 3,880,114</u>	<u>\$ 1,339,348</u>

City of Garden City, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Streets Fund Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State sources	\$ 1,140,000	\$ 1,140,000	\$ 1,228,799	\$ 88,799
Interest and other	12,000	12,000	3,412	(8,588)
Total revenue	1,152,000	1,152,000	1,232,211	80,211
Expenditures - Current - Public service	1,779,000	1,779,000	1,765,260	13,740
Excess of Expenditures Over Revenue	(627,000)	(627,000)	(533,049)	93,951
Other Financing Uses - Transfers out	(570,000)	(570,000)	(588,386)	(18,386)
Net Change in Fund Balance	(1,197,000)	(1,197,000)	(1,121,435)	75,565
Fund Balance - Beginning of year	2,857,464	2,857,464	2,857,464	-
Fund Balance - End of year	<u>\$ 1,660,464</u>	<u>\$ 1,660,464</u>	<u>\$ 1,736,029</u>	<u>\$ 75,565</u>

City of Garden City, Michigan

Note to Required Supplemental Information Year Ended June 30, 2014

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, 2014

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Other Financing Uses</u>
General Fund:			
Amounts per operating statement	\$ 17,411,129	\$ 16,727,850	\$ (510,212)
205 - Public safety	(2,268,940)	(8,567,833)	(6,283,840)
249 - Building department	(457,015)	(615,050)	(176,174)
736 - Retiree health care	(1,016)	-	(50,000)
Amounts per budget statement	<u>\$ 14,684,158</u>	<u>\$ 7,544,967</u>	<u>\$ (7,020,226)</u>

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Other Financing Uses</u>
Major Streets Fund:			
Amounts per operating statement	\$ 1,290,887	\$ 1,765,315	\$ (588,386)
870 - Harrison Paving	(27,066)	-	-
851 - Bock Paving	(31,610)	(55)	-
Amounts per budget statement	<u>\$ 1,232,211</u>	<u>\$ 1,765,260</u>	<u>\$ (588,386)</u>

During the year, the City incurred the following expenditure in excess of budgeted amounts:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund - Debt service	\$ 979,726	\$ 980,128	\$ (402)

City of Garden City, Michigan

Required Supplemental Information OPEB System Schedule Year Ended June 30, 2014

The schedule of funding progress 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

City of Garden City, Michigan

Required Supplemental Information Pension System Schedule Year Ended June 30, 2014

The schedule of funding progress 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
12/31/11	\$ 58,834,248	\$ 73,458,694	\$ 14,624,446	80.1	\$ 5,523,129	264.8
12/31/12	58,002,961	75,208,679	17,205,718	77.1	5,495,028	313.1
12/31/13	58,609,088	78,147,714	19,538,626	75.0	5,682,296	343.9

City of Garden City, Michigan

Required Supplemental Information Pension System Schedule - District Court Employees Year Ended June 30, 2014

The schedule of funding progress 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
12/31/11	\$ 1,440,590	\$ 1,859,847	\$ 419,257	77.5	\$ 266,346	157.4
12/31/12	1,486,022	1,957,080	471,058	75.9	296,253	159.0
12/31/13	1,647,187	2,181,768	534,581	75.5	332,623	160.7

Other Supplemental Information

City of Garden City, Michigan

	Special Revenue Funds					
	Local Streets Fund	233 - 911	248 -			235 - Franchise Peg Fees
			Community Development Block Grant	296 - Rehabilitation Revolving	264 - Police Drug Confiscations	
Assets						
Cash and investments	\$ 844,492	\$ 211,712	\$ -	\$ 35,940	\$ 94,584	\$ 58,157
Receivables	89,148	37,155	36,963	1,300	57	31,555
Prepaid expenditures and other assets	-	-	-	-	-	-
Due from other governmental units	78,336	-	-	-	-	-
Total assets	\$1,011,976	\$ 248,867	\$ 36,963	\$ 37,240	\$ 94,641	\$ 89,712
Liabilities						
Accounts payable	\$ 102,840	\$ -	\$ 9,570	\$ -	\$ -	\$ 2,478
Due to other governmental units	-	-	3,613	-	-	-
Due to other funds	-	-	23,781	-	-	-
Accrued and other liabilities	-	-	-	-	-	-
Total liabilities	102,840	-	36,964	-	-	2,478
Deferred Inflows of Resources -						
Unavailable revenue	88,596	-	36,963	-	-	-
Fund Balances						
Nonspendable	-	-	-	-	-	-
Restricted:						
Roads	820,540	-	-	-	-	-
Public safety	-	248,867	-	-	94,641	-
Debt service	-	-	-	-	-	-
Housing rehabilitation	-	-	-	37,240	-	-
Capital projects	-	-	-	-	-	-
PEG fees	-	-	-	-	-	87,234
Library	-	-	-	-	-	-
Streetlighting	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Fund balance - Unassigned	-	-	(36,964)	-	-	-
Total liabilities, deferred inflows of resources and fund balances	820,540	248,867	(36,964)	37,240	94,641	87,234
Total liabilities, deferred inflows of resources, and fund balances	\$1,011,976	\$ 248,867	\$ 36,963	\$ 37,240	\$ 94,641	\$ 89,712

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

Special Revenue Funds		Debt Service Funds	Capital Projects Funds				Total
219 - Street Lighting Assessment	790 - Library	301 - Debt Retirement	401 - Capital Projects	436 - District Court Building Fund	852 - Maplewood Road	853 - Maplewood II	Nonmajor Governmental Funds
\$ 40,588	\$ 283,483	\$ 25,052	\$ 162,808	\$ 362,195	\$ 30,556	\$ 10,227	\$ 2,159,794
3	2,162	8,755	103	3,449	20	15,777	226,447
-	829	-	-	-	-	-	829
-	-	-	-	-	-	-	78,336
\$ 40,591	\$ 286,474	\$ 33,807	\$ 162,911	\$ 365,644	\$ 30,576	\$ 26,004	\$ 2,465,406
\$ 40,076	\$ 8,423	\$ -	\$ 160	\$ -	\$ -	\$ 1,242	\$ 164,789
-	-	-	-	-	-	-	3,613
-	-	-	-	-	-	-	23,781
-	3,892	3,702	-	-	-	-	7,594
40,076	12,315	3,702	160	-	-	1,242	199,777
-	1,983	8,739	-	-	-	15,772	152,053
-	829	-	-	-	-	-	829
-	-	-	-	-	-	-	820,540
-	-	-	-	-	-	-	343,508
-	-	21,366	-	-	-	-	21,366
-	-	-	-	-	-	-	37,240
-	-	-	-	-	30,576	8,990	39,566
-	-	-	-	-	-	-	87,234
-	271,347	-	-	-	-	-	271,347
515	-	-	-	-	-	-	515
-	-	-	162,751	365,644	-	-	528,395
-	-	-	-	-	-	-	(36,964)
515	272,176	21,366	162,751	365,644	30,576	8,990	2,113,576
\$ 40,591	\$ 286,474	\$ 33,807	\$ 162,911	\$ 365,644	\$ 30,576	\$ 26,004	\$ 2,465,406

City of Garden City, Michigan

	Special Revenue Funds					
	248 -					
	Local Streets Fund	233 - 911	Community Development Block Grant	296 - Rehabilitation Revolving	264 - Police Drug Confiscations	235 - Franchise Peg Fees
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	221,925	6,744	-	-
State sources	525,279	-	-	-	-	-
Charges for services	73,703	-	-	-	-	-
Interest and other	1,820	174,127	-	-	25,078	81,691
Special assessments	43,847	-	-	-	-	-
Total revenue	644,649	174,127	221,925	6,744	25,078	81,691
Expenditures						
Current:						
Public safety	-	130,000	-	-	9,816	-
Public service	54	-	-	-	-	-
Community maintenance, development, and other	1,675,208	-	160,690	-	-	89,329
Recreation and culture	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	1,675,262	130,000	160,690	-	9,816	89,329
Excess of Revenue (Under) Over Expenditures	(1,030,613)	44,127	61,235	6,744	15,262	(7,638)
Other Financing Sources						
Face value of debt issue	-	-	-	-	-	-
Transfers in	588,386	-	42,362	-	-	-
Total other financing sources	588,386	-	42,362	-	-	-
Net Change in Fund Balances	(442,227)	44,127	103,597	6,744	15,262	(7,638)
Fund Balances (Deficit) - Beginning of year	1,262,767	204,740	(140,561)	30,496	79,379	94,872
Fund Balances (Deficit) - End of year	<u>\$ 820,540</u>	<u>\$ 248,867</u>	<u>\$ (36,964)</u>	<u>\$ 37,240</u>	<u>\$ 94,641</u>	<u>\$ 87,234</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances (Deficit)
Nonmajor Governmental Funds
Year Ended June 30, 2014

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	
\$ -	\$ 459,891	\$ 1,440,744	\$ -	\$ -	\$ -	\$ -	\$ 1,900,635
-	-	-	-	-	-	-	228,669
-	15,006	-	-	-	-	-	540,285
-	-	-	-	-	-	-	73,703
-	29,147	249	179	46,802	61	61	359,215
493,237	-	-	-	-	-	15,012	552,096
493,237	504,044	1,440,993	179	46,802	61	15,073	3,654,603
-	-	-	-	-	-	-	139,816
-	-	-	-	-	-	-	54
522,004	-	-	-	-	-	-	2,447,231
-	353,115	-	-	-	-	-	353,115
-	-	-	481,120	-	-	-	481,120
-	-	1,321,350	-	114	-	-	1,321,464
522,004	353,115	1,321,350	481,120	114	-	-	4,742,800
(28,767)	150,929	119,643	(480,941)	46,688	61	15,073	(1,088,197)
-	-	-	162,485	-	-	-	162,485
35,000	-	-	432,850	-	-	-	1,098,598
35,000	-	-	595,335	-	-	-	1,261,083
6,233	150,929	119,643	114,394	46,688	61	15,073	172,886
(5,718)	121,247	(98,277)	48,357	318,956	30,515	(6,083)	1,940,690
\$ 515	\$ 272,176	\$ 21,366	\$ 162,751	\$ 365,644	\$ 30,576	\$ 8,990	\$ 2,113,576

City of Garden City, Michigan

Other Supplemental Information Balance Sheet - Modified Accrual Basis Downtown Development Authority June 30, 2014

Assets	
Cash and investments	\$ 236,888
Receivables - Net	<u>261,027</u>
Total assets	<u>\$ 497,915</u>
Liabilities	
Accounts payable	\$ 10,342
Accrued and other liabilities	<u>739</u>
Total liabilities	11,081
Deferred Inflows of Resources -	
Unavailable revenue	260,874
Fund Balance - Unassigned	<u>225,960</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 497,915</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, 2014

Revenue	
Property taxes	\$ 495,556
Interest and other	71,501
	<hr/>
Total revenue	567,057
Expenditures - Current	
Community maintenance, development, and other	494,980
Debt service	216,081
	<hr/>
Total expenditures	711,061
	<hr/>
Excess of Expenditures Over Revenue	(144,004)
Fund Balance - Beginning of year	369,964
	<hr/>
Fund Balance - End of year	<u><u>\$ 225,960</u></u>

City of Garden City, Michigan

Schedules of Indebtedness Governmental Activities Obligation Bonds Year Ended June 30, 2014

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	
2014/2015	\$ 295,000	4.50	\$ 13,275	\$ 308,275
Total	<u>\$ 295,000</u>		<u>\$ 13,275</u>	<u>\$ 308,275</u>

City of Garden City, Michigan

Schedules of Indebtedness Governmental Activities Obligation Bonds (Continued) Year Ended June 30, 2014

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	
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>\$ 875,000</u>		<u>\$ 76,900</u>	<u>\$ 951,900</u>

City of Garden City, Michigan

Schedules of Indebtedness Governmental Activities Obligation Bonds (Continued) Year Ended June 30, 2014

Purpose: 2011 General Obligation Tax Refunding Bonds
 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	
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>\$ 8,140,000</u>		<u>\$ 873,925</u>	<u>\$ 9,013,925</u>

City of Garden City, Michigan

Schedules of Indebtedness Business-type Activities Obligation Bonds Year Ended June 30, 2014

Purpose: 2008 General Obligation Limited Tax
 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
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>\$1,350,000</u>		<u>\$ 455,297</u>	<u>\$ 1,805,297</u>

City of Garden City, Michigan

Schedules of Indebtedness Governmental and Business-type Activities Obligation Bonds Year Ended June 30, 2014

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	
2014/2015	\$ 745,000	\$ 217,308	\$ 527,692	4.700	\$ 53,027	\$ 15,467	\$ 37,560	\$ 798,027
2015/2016	739,998	215,847	524,151	4.800	17,760	5,180	12,580	757,758
Total	\$ 1,484,998	\$ 433,155	\$ 1,051,843		\$ 70,787	\$ 20,647	\$ 50,140	\$ 1,555,785

City of Garden City, Michigan

Schedules of Indebtedness Governmental and Business-type Activities Obligation Bonds (Continued) Year Ended June 30, 2014

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	
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	\$ 2,165,000	\$ 437,330	\$ 1,727,670		\$ 289,537	\$ 58,486	\$ 231,051	\$ 2,454,537

City of Garden City, Michigan

Schedules of Indebtedness Business-type Activities and Component Unit Development Bonds Year Ended June 30, 2014

Purpose: 2011 Downtown Development Authority Refunding Bonds
 Date of issue: October 31, 2011
 Amount of issue: \$1,755,000
 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	
2014/2015	\$ 270,000	\$ 221,643	\$ 48,357	5.00	\$ 28,100	\$ 23,067	\$ 5,033	\$ 298,100
2015/2016	265,000	217,538	47,463	5.00	22,750	18,675	4,075	287,750
2016/2017	260,000	213,434	46,566	5.00	16,850	13,832	3,018	276,850
2017/2018	250,000	205,225	44,774	5.00	10,475	8,599	1,876	260,475
2018/2019	<u>245,004</u>	<u>201,121</u>	<u>43,883</u>	5.00	<u>3,675</u>	<u>3,017</u>	<u>658</u>	<u>248,679</u>
Total	<u>\$ 1,290,004</u>	<u>\$ 1,058,961</u>	<u>\$ 231,043</u>		<u>\$ 81,850</u>	<u>\$ 67,190</u>	<u>\$ 14,660</u>	<u>\$ 1,371,854</u>

State Revolving Fund Debt*

\$ 224,936

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