

# **City of Garden City, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2015**

# City of Garden City, Michigan

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# 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, 2015, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The 21st District Court was not audited under *Government Auditing Standards*.

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.

To the Board of Directors  
City of Garden City, Michigan

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Garden City, Michigan as of June 30, 2015 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.

### **Emphasis of Matter**

As discussed in Note 14 to the basic financial statements, in 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, which established accounting and financial reporting standards for defined benefit pensions provided to the employees of governmental employers through pension plans. 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 and required supplemental information, as identified in 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.

To the Board of Directors  
City of Garden City, Michigan

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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015 on our consideration of the City of Garden City, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Garden City, Michigan's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

November 30, 2015

# 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, 2015. 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, 2015:

- Total net position related to the City's governmental activities decreased 179 percent, primarily due to the increasing unfunded liability associated with retiree healthcare.
- The City's taxable value remained substantially flat, increasing less than 1 percent over the previous year. This increase is indicative of rising market values and is expected to be stronger in the near future. However, frugal fiscal management continues to be implemented.
- 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.
- Four of the six bargaining groups are in contracts that expired June 30, 2014. Contracts for the Command Officers Association of Michigan (COAM) and Police Officers Association of Michigan (POAM) have been successfully negotiated and extend through June 30, 2019 and June 30, 2020, respectively. 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 statement provides 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, which is considered to be a major fund. Data for the other 14 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.

### Other Financial and Supplemental Information

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

### The City as a Whole

The following table shows, in a condensed format, the net position as of June 30, 2015 and compared to the prior year (in millions of dollars):

	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
<b>Assets</b>						
Current assets	\$ 10.8	\$ 11.5	\$ 13.4	\$ 12.8	\$ 24.2	\$ 24.3
Capital assets	30.8	30.2	33.4	33.6	64.2	63.8
Total assets	41.6	41.7	46.8	46.4	88.4	88.1
<b>Deferred Outflows of Resources</b>	-	1.5	-	0.2	-	1.7
<b>Liabilities</b>						
Current liabilities	3.7	3.7	2.4	2.5	6.1	6.2
Long-term liabilities	26.4	48.6	6.6	8.4	33.0	57.0
Total liabilities	30.1	52.3	9.0	10.9	39.1	63.2
<b>Net Position</b>						
Net investment in capital assets	28.5	28.9	28.8	30.3	57.3	59.2
Restricted	3.7	3.7	-	-	3.7	3.7
Unrestricted	(20.7)	(41.7)	9.0	5.4	(11.7)	(36.3)
Total net position	\$ 11.5	\$ (9.1)	\$ 37.8	\$ 35.7	\$ 49.3	\$ 26.6

# **City of Garden City, Michigan**

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## **Management's Discussion and Analysis (Continued)**

The City's combined net position decreased approximately 46 percent from a year ago, decreasing from \$49.3 million to \$26.6 million. A review of the governmental activities, separate from the business-type activities, shows a decrease of 179 percent, or approximately \$21 million, during fiscal year 2015. The business-type activities experienced a 5.6 percent, or \$2.1 million, decrease in net position during fiscal year 2015.

Governmental unrestricted net position, the portion of net position available to finance day-to-day operations and future growth, changed from a negative \$20.7 million at June 30, 2014 to a negative \$41.7 million at June 30, 2015, primarily because of the implementation of GASB 68, which required the net pension liability to be recorded as a component of liabilities beginning in 2015.

The business-type unrestricted net position decreased by \$3.6 million for the fiscal year ended June 30, 2015. Again, this relates in part to the implementation of GASB 68. 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, 2015 and 2014:

	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 3.7	\$ 3.7	\$ 11.3	\$ 9.8	\$ 15.0	\$ 13.5
Operating grants and contributions	3.4	3.6	-	-	3.4	3.6
Capital grants and contributions	0.4	0.1	-	0.2	0.4	0.3
General revenue:						
Property taxes	10.8	10.8	-	-	10.8	10.8
State-shared revenue	2.7	2.8	-	-	2.7	2.8
Unrestricted investment earnings	0.1	0.1	-	-	0.1	0.1
Franchise fees	0.5	0.5	-	-	0.5	0.5
Other	0.1	-	-	-	0.1	-
Total revenue	21.7	21.6	11.3	10.0	33.0	31.6
<b>Program Expenses</b>						
General government	2.3	2.3	-	-	2.3	2.3
Public safety	11.7	11.7	-	-	11.7	11.7
Public works	3.2	4.7	-	-	3.2	4.7
Community maintenance, development, and other	2.4	0.9	-	-	2.4	0.9
Culture and recreation	2.4	3.0	-	-	2.4	3.0
District court	1.1	1.1	-	-	1.1	1.1
Interest expense	0.4	0.2	-	-	0.4	0.2
Water and sewer	-	-	7.7	8.4	7.7	8.4
Rubbish disposal	-	-	1.5	1.5	1.5	1.5
Total program expenses	23.5	23.9	9.2	9.9	32.7	33.8
<b>Transfers</b>	-	(0.1)	-	0.1	-	-
<b>Change in Net Position</b>	<b>\$ (1.8)</b>	<b>\$ (2.4)</b>	<b>\$ 2.1</b>	<b>\$ 0.2</b>	<b>\$ 0.3</b>	<b>\$ (2.2)</b>

### Governmental Activities

The City's total governmental revenue and other items decreased by approximately \$0.1 million, mostly due to a reduction in capital grants.

Governmental expenses increased by approximately 1.8 percent, or \$0.4 million. Additional expenditures were made to increase public safety and other personnel. 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 health care and required pension contributions.

# **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 small net operating income, as desired. Charges for services decreased as a result of planned rate decreases in the current year. 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, 2015 included the General Fund, in accordance with GASB requirements.

### **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 \$167,000. The majority of the budget increase covered capital projects and emergency road remediation. Other appropriations were made to acknowledge grant receipts and other new revenue sources. 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 \$3,880,114 a year ago to \$4,275,013 at June 30, 2015.

### **Capital Asset and Debt Administration**

The City's investment in capital assets had much more focus as our revenue begins to increase. Investments were still made to roads, public service equipment, public safety vehicles, and communications equipment to sustain the City's infrastructure.

# **City of Garden City, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **Economic Factors and Next Year's Budgets and Rates**

The City's budget for fiscal year 2016 looks forward to a continued increase in taxable values. 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 has been renewed through fiscal year 2020/2021.

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 revenue 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 were restructured in the fiscal year ended June 30, 2015. The rate structure incorporates fix charges to reflect the wholesale fix charges from DWSD and reduces consumption rates, but with a rate reduction to most consumers.

### **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, 2015

	Primary Government			Component Unit - DDA
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 2)	\$ 9,258,293	\$ 9,247,465	\$ 18,505,758	\$ 290,127
Receivables:				
Property taxes receivable	314,484	-	314,484	-
Receivables from sales to customers on account	-	3,520,828	3,520,828	-
Accrued interest receivable	7,496	3,901	11,397	97
Other receivables	308,286	-	308,286	-
Due from other governmental units	182,426	-	182,426	-
Special assessments receivable	268,677	-	268,677	223,255
Prepaid costs and other assets	361,343	40,029	401,372	-
Due from other governmental units	795,274	-	795,274	-
Capital assets (Note 4):				
Assets not subject to depreciation	2,630,540	926,691	3,557,231	-
Assets subject to depreciation	27,554,249	32,684,252	60,238,501	1,636,450
Total assets	41,681,068	46,423,166	88,104,234	2,149,929
<b>Deferred Outflows of Resources</b>				
Bond refunding loss being amortized	28,248	3,393	31,641	20,332
Deferred outflows related to pension	1,471,229	180,019	1,651,248	-
Total deferred outflows of resources	1,499,477	183,412	1,682,889	20,332
<b>Liabilities</b>				
Accounts payable	773,978	1,155,696	1,929,674	18,672
Due to other governmental units	1,716	-	1,716	78
Accrued and other liabilities	450,023	59,308	509,331	5,768
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	347,327	52,900	400,227	-
Current portion of long-term debt	2,030,292	1,228,939	3,259,231	217,538
Due in more than one year:				
Compensated absences (Note 6)	567,691	31,027	598,718	-
Net OPEB obligation (Note 10)	21,403,068	3,720,473	25,123,541	-
Net pension liability (Notes 8 and 9)	20,287,565	2,508,000	22,795,565	-
Long-term debt	6,484,928	2,128,582	8,613,510	619,780
Total liabilities	52,346,588	10,884,925	63,231,513	861,836
<b>Net Position</b>				
Net investment in capital assets	28,870,498	30,256,815	59,127,313	819,464
Restricted for:				
Streets and highways	2,667,364	-	2,667,364	-
Capital projects	110,520	-	110,520	-
Police grant activities	93,726	-	93,726	-
911	263,872	-	263,872	-
Franchise PEG fees	96,459	-	96,459	-
Debt service	54,311	-	54,311	-
Housing rehabilitation	36,167	-	36,167	-
Library	375,699	-	375,699	-
Unrestricted	(41,734,659)	5,464,838	(36,269,821)	488,961
Total net position	\$ (9,166,043)	\$ 35,721,653	\$ 26,555,610	\$ 1,308,425

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	\$ 2,288,882	\$ 681,901	\$ -	\$ 257
21st District Court	1,125,789	909,451	46,129	-
Public safety	11,720,276	641,074	474,727	-
Public works	4,664,067	475,333	1,998,647	73,764
Community maintenance, development, and other	918,792	344,837	243,573	-
Recreation and culture	3,013,630	622,299	828,784	-
Debt service	240,980	-	-	-
Total governmental activities	23,972,416	3,674,895	3,591,860	74,021
Business-type activities:				
Water and Sewer Fund	8,416,909	8,525,890	-	176,837
Rubbish Collection Fund	1,546,471	1,307,194	-	-
Total business-type activities	9,963,380	9,833,084	-	176,837
Total primary government	<u>\$ 33,935,796</u>	<u>\$ 13,507,979</u>	<u>\$ 3,591,860</u>	<u>\$ 250,858</u>
Component units	<u>\$ 325,313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,128</u>

General revenue:

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

Total general revenue

Transfers

**Change in Net Position**

**Net Position** - Beginning of year - As restated (Note 14)

**Net Position** - End of year

**Statement of Activities  
Year Ended June 30, 2015**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit - Downtown Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (1,606,724)	\$ -	\$ (1,606,724)	\$ -
(170,209)	-	(170,209)	-
(10,604,475)	-	(10,604,475)	-
(2,116,323)	-	(2,116,323)	-
(330,382)	-	(330,382)	-
(1,562,547)	-	(1,562,547)	-
(240,980)	-	(240,980)	-
(16,631,640)	-	(16,631,640)	-
-	285,818	285,818	-
-	(239,277)	(239,277)	-
-	46,541	46,541	-
(16,631,640)	46,541	(16,585,099)	-
-	-	-	(323,185)
10,801,619	-	10,801,619	495,347
2,789,539	-	2,789,539	-
138,312	14,637	152,949	377
520,247	-	520,247	-
37,070	-	37,070	-
31,770	-	31,770	-
14,318,557	14,637	14,333,194	495,724
(95,666)	95,666	-	-
(2,408,749)	156,844	(2,251,905)	172,539
(6,757,294)	35,564,809	28,807,515	1,135,886
<b>\$ (9,166,043)</b>	<b>\$ 35,721,653</b>	<b>\$ 26,555,610</b>	<b>\$ 1,308,425</b>



# City of Garden City, Michigan

## Governmental Funds Balance Sheet June 30, 2015

	General Fund	Nonmajor Funds	Total
<b>Assets</b>			
Cash and investments	\$ 4,513,160	\$ 3,774,489	\$ 8,287,649
Receivables	562,385	518,555	1,080,940
Due from other funds	127,779	-	127,779
Prepaid costs and other assets	334,447	1,396	335,843
Due from other governmental units	459,148	336,126	795,274
Total assets	<u>\$ 5,996,919</u>	<u>\$ 4,630,566</u>	<u>\$ 10,627,485</u>
<b>Liabilities</b>			
Accounts payable	\$ 602,132	\$ 156,349	\$ 758,481
Due to other governmental units	231	1,485	1,716
Due to other funds	-	127,779	127,779
Accrued and other liabilities	365,751	21,336	387,087
Total liabilities	968,114	306,949	1,275,063
<b>Deferred Inflows of Resources -</b>			
Unavailable revenue	154,467	439,903	594,370
<b>Fund Balances</b>			
Nonspendable - Prepays	334,447	1,396	335,843
Restricted:			
Roads	-	2,454,918	2,454,918
Public safety	-	357,598	357,598
Debt service	-	46,202	46,202
Housing rehabilitation	-	36,167	36,167
Capital projects	-	64,225	64,225
PEG fees	-	96,459	96,459
Library	-	372,377	372,377
Assigned - Capital projects	-	665,058	665,058
Fund balance - Unassigned	4,539,891	(210,686)	4,329,205
Total fund balances	<u>4,874,338</u>	<u>3,883,714</u>	<u>8,758,052</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,996,919</u>	<u>\$ 4,630,566</u>	<u>\$ 10,627,485</u>

# City of Garden City, Michigan

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2015

<b>Fund Balance Reported in Governmental Funds</b>	\$ 8,758,052
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	30,184,789
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenses in the governmental funds	1,471,229
Deferred charges on refunding	28,248
Special assessments, grant receivables, and property taxes are expected to be collected over several years and are not available to pay for current year expenditures	594,370
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(8,267,539)
Accrued interest is not due and payable in the current period and is not reported in the funds	(62,936)
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	(915,018)
Net other postemployment benefits obligation	(21,403,068)
Net pension obligation in governmental activities is not reported in the funds	(20,287,565)
Internal service funds are included as part of governmental activities	<u>733,395</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ (9,166,043)</u></b>

# City of Garden City, Michigan

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2015

	General Fund	Nonmajor Funds	Total
<b>Revenue</b>			
Property taxes	\$ 8,857,282	\$ 1,962,657	\$ 10,819,939
Licenses and permits	38,921	-	38,921
Federal sources	473,348	147,392	620,740
State sources	4,508,832	1,837,568	6,346,400
Charges for services	1,745,221	65,684	1,810,905
21st District Court	869,790	-	869,790
Interest and other	456,445	335,057	791,502
Cable franchise fees	586,389	-	586,389
Special assessments	-	536,077	536,077
	<hr/>	<hr/>	<hr/>
Total revenue	17,536,228	4,884,435	22,420,663
<b>Expenditures</b>			
Current:			
General government	1,813,453	-	1,813,453
21st District Court	901,163	-	901,163
Public safety	8,840,402	142,899	8,983,301
Public service	1,770,769	2,098,533	3,869,302
Community maintenance, development, and other	582,086	870,494	1,452,580
Recreation and culture	1,994,986	413,168	2,408,154
Capital outlay	-	102,978	102,978
Debt service	903,843	1,480,875	2,384,718
	<hr/>	<hr/>	<hr/>
Total expenditures	16,806,702	5,108,947	21,915,649
<b>Excess of Revenue Over (Under) Expenditures</b>	729,526	(224,512)	505,014
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	800,689	800,689
Transfers out	(295,666)	(600,689)	(896,355)
	<hr/>	<hr/>	<hr/>
<b>Net Change in Fund Balances</b>	433,860	(24,512)	409,348
<b>Fund Balances - Beginning of year</b>	4,440,478	3,908,226	8,348,704
	<hr/>	<hr/>	<hr/>
<b>Fund Balances - End of year</b>	<b>\$ 4,874,338</b>	<b>\$ 3,883,714</b>	<b>\$ 8,758,052</b>

# 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, 2015**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 409,348</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	1,446,120
Depreciation expense	(2,026,135)
Special assessment, property tax, and grant revenue are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected within 60 days of year end	200,801
Deferred charges on refunding are an expenditure in the governmental funds, but are capitalized and amortized over the term of the bond	(5,947)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	2,122,727
Change in accrued interest payable and other	20,453
Change in personal property tax revenue	(3,032)
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	(56,095)
Change in net other postemployment benefits liability is recorded when incurred in the statement of activities	(4,072,753)
Change in net pension liability is recorded when incurred in the statement of activities	(502,845)
Internal service funds are included as part of governmental activities	<u>58,609</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (2,408,749)</u></b>

# City of Garden City, Michigan

## Proprietary Funds Statement of Net Position June 30, 2015

	Enterprise Funds			Governmental Activities
	Water and Sewer	Rubbish	Total	Internal Service
	Fund	Collection Fund		Funds
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 8,871,898	\$ 375,567	\$ 9,247,465	\$ 970,644
Receivables - Net:				
Accrued interest receivable	3,813	88	3,901	429
Customer receivables	3,520,722	106	3,520,828	-
Prepaid costs and other assets	40,029	-	40,029	25,500
Total current assets	12,436,462	375,761	12,812,223	996,573
Noncurrent assets				
Capital assets (Note 4):				
Assets not subject to depreciation	926,691	-	926,691	-
Assets subject to depreciation	32,684,252	-	32,684,252	-
Total assets	46,047,405	375,761	46,423,166	996,573
<b>Deferred Outflows of Resources</b>				
Bond refunding loss being amortized	3,393	-	3,393	-
Deferred outflows related to pension (Notes 8 and 9)	180,019	-	180,019	-
Total deferred outflows	183,412	-	183,412	-
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	879,250	276,446	1,155,696	15,497
Accrued and other liabilities	59,308	-	59,308	-
Compensated absences (Note 6)	52,900	-	52,900	-
Current portion of long-term debt	1,228,939	-	1,228,939	-
Total current liabilities	2,220,397	276,446	2,496,843	15,497
Noncurrent liabilities:				
Compensated absences (Note 6)	31,027	-	31,027	-
Net pension liability	2,508,000	-	2,508,000	-
Net other postemployment benefit obligation	3,720,473	-	3,720,473	-
Long-term debt	2,128,582	-	2,128,582	247,681
Total noncurrent liabilities	8,388,082	-	8,388,082	247,681
Total liabilities	10,608,479	276,446	10,884,925	263,178
<b>Net Position</b>				
Net investment in capital assets	30,256,815	-	30,256,815	-
Unrestricted	5,365,523	99,315	5,464,838	733,395
Total net position	<u>\$ 35,622,338</u>	<u>\$ 99,315</u>	<u>\$ 35,721,653</u>	<u>\$ 733,395</u>

# City of Garden City, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2015

	Enterprise Funds			Governmental Activities
	Water and Sewer	Rubbish	Total	Internal Service
	Fund	Collection Fund		Funds
<b>Operating Revenue</b>				
Water and sewer services	\$ 8,483,280	\$ -	\$ 8,483,280	\$ -
Interest and other	42,610	-	42,610	-
Charges for services	-	1,307,194	1,307,194	249,436
Total operating revenue	8,525,890	1,307,194	9,833,084	249,436
<b>Operating Expenses</b>				
Cost of water	1,640,447	-	1,640,447	-
Cost of sewage treatment	2,350,087	-	2,350,087	-
Cost of rubbish disposal	-	1,546,471	1,546,471	-
Supplies	155,436	-	155,436	-
Personnel services	1,928,192	-	1,928,192	-
Other services and charges	1,203,112	-	1,203,112	-
Claims expense	-	-	-	192,344
Depreciation and amortization	985,539	-	985,539	-
Total operating expenses	8,262,813	1,546,471	9,809,284	192,344
<b>Operating Income (Loss)</b>	263,077	(239,277)	23,800	57,092
<b>Nonoperating Revenue (Expenses)</b>				
Investment income	13,790	847	14,637	1,517
Interest expense	(154,096)	-	(154,096)	-
Total nonoperating (expenses) revenue	(140,306)	847	(139,459)	1,517
<b>Income (Loss) - Before contributions</b>	122,771	(238,430)	(115,659)	58,609
<b>Capital Contributions - Capital grants</b>	176,837	-	176,837	-
<b>Transfers In</b>	-	95,666	95,666	-
<b>Change in Net Position</b>	299,608	(142,764)	156,844	58,609
<b>Net Position - Beginning of year - As restated (Note 14)</b>	35,322,730	242,079	35,564,809	674,786
<b>Net Position - End of year</b>	<b>\$ 35,622,338</b>	<b>\$ 99,315</b>	<b>\$ 35,721,653</b>	<b>\$ 733,395</b>

# City of Garden City, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2015

	Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Rubbish Collection Fund	Total	Internal Service Fund
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 9,084,832	\$ 1,307,088	\$ 10,391,920	\$ 249,436
Payments to suppliers	(4,946,707)	(1,547,451)	(6,494,158)	-
Payments to employees	(1,639,752)	-	(1,639,752)	-
Claims paid	-	-	-	(286,433)
Net cash provided by (used in) operating activities	2,498,373	(240,363)	2,258,010	(36,997)
<b>Cash Flows from Noncapital Financing Activities -</b>				
Operating transfer and interfund loans	-	95,666	95,666	-
<b>Cash Flows from Capital and Related Financing Activities</b>				
Receipt of capital grants	176,837	-	176,837	-
Purchase of capital assets	(1,182,252)	-	(1,182,252)	-
Principal and interest paid on capital debt	(1,362,197)	-	(1,362,197)	-
Net cash used in capital and related financing activities	(2,367,612)	-	(2,367,612)	-
<b>Cash Flows from Investing Activities - Interest received on investments</b>	15,581	1,088	16,669	1,725
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	146,342	(143,609)	2,733	(35,272)
<b>Cash and Cash Equivalents - Beginning of year</b>	8,725,556	519,176	9,244,732	1,005,916
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 8,871,898</u>	<u>\$ 375,567</u>	<u>\$ 9,247,465</u>	<u>\$ 970,644</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents - Cash and investments</b>	<u>\$ 8,871,898</u>	<u>\$ 375,567</u>	<u>\$ 9,247,465</u>	<u>\$ 970,644</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ 263,077	\$ (239,277)	\$ 23,800	\$ 57,092
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	985,539	-	985,539	-
Changes in assets and liabilities:				
Receivables	558,942	(106)	558,836	-
Prepaid and other assets	6,685	-	6,685	-
Accounts payable	103,906	(980)	102,926	-
Estimated claims liability	-	-	-	(94,089)
OPEB and pension liability	580,224	-	580,224	-
Net cash provided by (used in) operating activities	<u>\$ 2,498,373</u>	<u>\$ (240,363)</u>	<u>\$ 2,258,010</u>	<u>\$ (36,997)</u>

# City of Garden City, Michigan

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## Fiduciary Funds Statement of Fiduciary Net Position June 30, 2015

	<u>Agency Funds</u>
<b>Assets -</b> Cash and cash equivalents	<b><u>\$ 1,012,339</u></b>
<b>Liabilities</b>	
Accounts payable	\$ 596,079
Due to other governmental units	<u>416,260</u>
Total liabilities	<b><u>\$ 1,012,339</u></b>



# City of Garden City, Michigan

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## Notes to Financial Statements June 30, 2015

### 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

#### **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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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 revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (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 revenue 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 revenue 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 fund as a "major" governmental fund:

- 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.

**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.

### Note I - Summary of Significant Accounting Policies (Continued)

- 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.

#### **Specific Balances and Transactions**

**Cash, Cash Equivalents, 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.

# City of Garden City, Michigan

## Notes to Financial Statements June 30, 2015

### Note I - Summary of Significant Accounting Policies (Continued)

**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 two items that qualify for reporting in this category: deferred charges on bond refunding and deferred outflows of resources related to the defined benefit pension plan. The deferred outflows of resources are reported in the government-wide financial statements and in the Water Fund. The deferred outflows of resources related to the defined benefit plan result from two transactions: contributions to the defined benefit pension plan subsequent to the plan's year end through the City's fiscal year and the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

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 revenue from special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **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.

#### **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.

### Note I - Summary of Significant Accounting Policies (Continued)

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 City Council has by resolution authorized the finance director to assign fund balance. The council may also 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.

The City's 2014 tax is levied and collectible on July 1, 2014 and is recognized as revenue in the year ended June 30, 2015, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2014 taxable valuation of the City totaled \$481 million, on which taxes levied consisted of 13.8403 mills for operating purposes, .8200 mills for refuse collection, 1.00 mills for library operations, 3.50 mills for public safety, and 3.1055 mills for judgment debt. This resulted in \$6.4 million for operating, \$393,000 for refuse collection, \$458,000 for library operations, \$1.6 million for public safety, and \$1.5 million for judgment debt. A portion of the operating millage is captured for the Downtown Development Authority.

**Pension Costs** - The City offers both pension and retiree healthcare benefits to retirees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.



### Note I - Summary of Significant Accounting Policies (Continued)

**Other Postemployment Benefit Costs** - The City offers 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, 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 the Water and Sewer Fund, primarily) are used to liquidate obligation.

**Proprietary Funds Operating Classification** - Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 Fund and internal service 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 and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**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

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

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 board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

# City of Garden City, Michigan

## Notes to Financial Statements June 30, 2015

### 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 does not have a deposit policy for custodial credit risk. At year end, the City had \$7,302,393 of bank deposits (certificates of deposit and 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:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Commercial paper	<u>\$ 6,294,315</u>	90 days

# City of Garden City, Michigan

## Notes to Financial Statements June 30, 2015

### Note 2 - Deposits and Investments (Continued)

**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	\$ 1,509,331	N/A	N/A
Money market	254,619	N/A	N/A
Money market	83,758	N/A	N/A
Money market	179,024	N/A	N/A
Commercial paper	998,600	A1	Moody's
Commercial paper	1,297,413	A1	Moody's
Commercial paper	999,870	A2	Moody's
Commercial paper	1,998,660	A2	
Commercial paper	999,750	A2	Moody's

### 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, 2015 is \$1,272,818:

Shortfall at July 1, 2014	\$ (1,150,345)
Current year permit revenue	459,613
Related expenses - Direct costs	<u>582,086</u>
Current year shortfall	<u>(122,473)</u>
Cumulative shortfall at June 30, 2015	<u><u>\$ (1,272,818)</u></u>

**Fund Deficits** - The City has a fund deficit in the Street Lighting Fund due to accounts payable at year end. The City plans to remedy this deficit with a transfer from the General Fund in 2016.

# City of Garden City, Michigan

## Notes to Financial Statements June 30, 2015

### Note 4 - Capital Assets

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

	Balance July 1, 2014	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2015
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land and land improvements	\$ 1,414,961	\$ -	\$ -	\$ -	\$ 1,414,961
Construction in progress	59,358	(37,495)	1,193,716	-	1,215,579
Subtotal	1,474,319	(37,495)	1,193,716	-	2,630,540
Capital assets being depreciated:					
Infrastructure	97,448,634	-	-	-	97,448,634
Buildings and improvements	7,245,549	37,495	-	-	7,283,044
Vehicles	11,349,193	-	252,404	-	11,601,597
Subtotal	116,043,376	37,495	252,404	-	116,333,275
Accumulated depreciation:					
Roads and sidewalks	73,207,261	-	1,662,609	-	74,869,870
Buildings and improvements	3,315,041	-	113,432	-	3,428,473
Vehicles and equipment	10,230,589	-	250,094	-	10,480,683
Subtotal	86,752,891	-	2,026,135	-	88,779,026
Net capital assets being depreciated	29,290,485	37,495	(1,773,731)	-	27,554,249
Net capital assets	\$ 30,764,804	\$ -	\$ (580,015)	\$ -	\$ 30,184,789
<b>Business-type Activities</b>					
Capital assets not being depreciated -					
Construction in progress	\$ 468,210	\$ (416,170)	\$ 874,651	\$ -	\$ 926,691
Capital assets being depreciated:					
Water and sewer distribution systems	15,762,605	416,170	36,142	-	16,214,917
Drain separation project	28,122,982	-	-	-	28,122,982
Vehicles	1,146,304	-	41,320	-	1,187,624
Meters	2,882,051	-	-	-	2,882,051
Office furnishings	103,166	-	-	-	103,166
Machinery and equipment	1,028,896	-	215,256	-	1,244,152
Subtotal	49,046,004	416,170	292,718	-	49,754,892
Accumulated depreciation:					
Water and sewer distribution systems	4,613,603	-	164,457	-	4,778,060
Drain separation project	8,436,896	-	562,459	-	8,999,355
Vehicles	899,048	-	42,946	-	941,994
Meters	1,293,254	-	143,979	-	1,437,233
Office furnishings	53,141	-	6,722	-	59,863
Machinery and equipment	804,042	-	50,093	-	854,135
Subtotal	16,099,984	-	970,656	-	17,070,640
Net capital assets being depreciated	32,946,020	416,170	(677,938)	-	32,684,252
Net capital assets	\$ 33,414,230	\$ -	\$ 196,713	\$ -	\$ 33,610,943

# City of Garden City, Michigan

## Notes to Financial Statements June 30, 2015

### Note 4 - Capital Assets (Continued)

Component Units	Balance July 1, 2014	Additions	Disposals	Balance June 30, 2015
Capital assets being depreciated:				
Land improvements	\$ 2,512,400	\$ -	\$ -	\$ 2,512,400
Building improvements	134,591	-	-	134,591
Subtotal	2,646,991	-	-	2,646,991
Accumulated depreciation:				
Land improvements	851,726	52,220	-	903,946
Equipment	101,263	5,332	-	106,595
Subtotal	952,989	57,552	-	1,010,541
Net capital assets being depreciated	1,694,002	(57,552)	-	1,636,450
Net capital assets	\$ 1,694,002	\$ (57,552)	\$ -	\$ 1,636,450

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

Governmental activities:	
General government	\$ 65,423
Public safety	241,797
Public works	1,660,503
Recreation and culture	58,412
Total governmental activities	<u>\$ 2,026,135</u>
Business-type activities - Water and sewer	<u>\$ 970,656</u>

### Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Nonmajor governmental funds	<u>\$ 127,779</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.

# City of Garden City, Michigan

## Notes to Financial Statements June 30, 2015

### Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

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

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Other nonmajor governmental funds (2)	\$ 200,000
	Rubbish Collection Fund (2)	<u>95,666</u>
	Total General Fund	295,666
Major Streets Fund	Local Streets Fund (1)	<u>600,689</u>
	Total	<u>\$ 896,355</u>

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

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

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

# City of Garden City, Michigan

## Notes to Financial Statements June 30, 2015

### Note 6 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
General Obligation - 2004 Limited							
Tax Refunding Bonds -							
Amount of issue - \$3,385,000	4.00% -						
Maturing through 2015	4.50%	\$295,000	\$ 295,000	\$ -	\$ 295,000	\$ -	\$ -
2001 Sewage Disposal System							
Refunding Bonds -							
Amount of issue - \$2,821,700	4.75%-						
Maturing through 2016	4.80%	\$215,847	433,155	-	217,308	215,847	215,847
2004 General Obligation Limited							
Tax Refunding Bonds -							
Amount of issue - \$1,090,000	3.50% -	\$2,020 -					
Maturing through 2022	4.20%	\$116,150	437,330	-	113,120	324,210	116,150
2005 General Obligation Limited							
Tax Refunding Bonds -							
Amount of issue - \$2,305,000	4.00% -	\$160,000 -					
Maturing through 2020	5.00%	\$240,000	875,000	-	200,000	675,000	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	8,140,000	-	1,215,000	6,925,000	1,415,000
Installment notes:							
Amount of issue - \$99,450							
Maturing through 2015	4.79%	\$21,794	42,591	-	20,797	21,794	21,794
Amount of issue - \$22,020							
Maturing through 2015		\$7,340	14,680	-	7,340	7,340	7,340
Amount of issue - \$162,485		\$9,975 -					
Maturing through 2016		\$54,162	152,510	-	54,162	98,348	54,161
Total bonds and notes payable			10,390,266	-	2,122,727	8,267,539	2,030,292
Self-insurance claims			311,488	-	63,807	247,681	-
Compensated absences			858,923	384,361	328,266	915,018	347,327
Total governmental activities			<u>\$ 11,560,677</u>	<u>\$ 384,361</u>	<u>\$ 2,514,800</u>	<u>\$ 9,430,238</u>	<u>\$ 2,377,619</u>



# City of Garden City, Michigan

## Notes to Financial Statements June 30, 2015

### Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>							
2001 Sewage Disposal System							
Refunding Bonds -							
Amount of issue - \$6,908,300	4.50% -						
Maturing through 2016	4.80%	\$524,151	\$ 1,051,843	\$ -	\$ 527,692	\$ 524,151	\$ 524,151
State Revolving Fund Debt -							
Amount of issue - \$2,435,000	2.00% -						
Maturing through 2016	2.25%	\$108,936	224,936	-	116,000	108,936	108,936
2004 General Obligation Limited							
Tax Refunding Bonds -							
Amount of issue - \$4,295,000	3.375% -	\$7,980 -					
Maturing through 2022	4.20%	\$458,850	1,727,670	-	446,880	1,280,790	458,850
2008 General Obligation Limited							
Tax Bond -							
Amount of issue - \$1,610,000	3.75% -	\$50,000 -					
Maturing through 2028	4.50%	\$125,000	1,350,000	-	75,000	1,275,000	75,000
2011 General Obligation Limited							
Tax Refunding Bonds -							
Amount of issue - \$314,121	2.00% -	\$42,089 -					
Maturing through 2019	3.00%	\$48,357	231,043	-	48,357	182,686	47,465
BS&A Financial Software -							
Amount of issue - \$43,610		\$3,000 -					
Maturing through 2016		\$14,539	40,610	-	14,537	26,073	14,537
Unamortized bond discount			(53,954)	-	(13,839)	(40,115)	-
Total bonds payable			4,572,148	-	1,214,627	3,357,521	1,228,939
Compensated absences			89,959	44,851	50,883	83,927	52,900
Total business-type activities			<u>\$ 4,662,107</u>	<u>\$ 44,851</u>	<u>\$ 1,265,510</u>	<u>\$ 3,441,448</u>	<u>\$ 1,281,839</u>
<b>Component Unit</b>							
2011 General Obligation Limited							
Tax Refunding Bonds -							
Amount of issue - \$1,440,681	2.00% -	\$192,912-					
Maturing through 2019	3.00%	\$221,643	\$ 1,058,961	\$ -	\$ 221,643	\$ 837,318	\$ 217,538

Total interest related to governmental and business-type activities for the year approximated \$324,000 and \$154,000, respectively. Total interest incurred related to component units for the year approximated \$22,000.

# City of Garden City, Michigan

## Notes to Financial Statements June 30, 2015

### 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
2016	\$ 2,030,292	\$ 257,819	\$ 2,288,111	\$ 1,228,929	\$ 112,006	\$ 1,340,935	\$ 217,538	\$ 18,675	\$ 236,213
2017	1,711,207	180,006	1,891,213	141,114	86,533	227,647	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	1,637,520	84,009	1,721,529	326,360	72,936	399,296	201,121	3,017	204,138
2020	951,510	34,379	985,889	303,490	60,449	363,939	-	-	-
2021-2025	99,990	4,128	104,118	894,988	154,682	1,049,670	-	-	-
2026-2030	-	-	-	375,000	25,313	400,313	-	-	-
Total	\$ 8,267,539	\$ 698,141	\$ 8,965,680	\$ 3,397,636	\$ 593,616	\$ 3,991,252	\$ 837,318	\$ 44,123	\$ 881,441

### 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.

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	
	2015	2014	2015	2014
Unpaid claims - Beginning of year	\$ 194,334	\$ 362,509	\$ 117,154	\$ 35,150
Estimated claims incurred, including changes in estimates	(145,925)	(298,182)	242,721	217,643
Deposits at the Authority to fund claims	106,581	205,146	-	-
Claim payments	(114,459)	(75,139)	(152,725)	(135,639)
Unpaid claims - End of year	\$ 40,531	\$ 194,334	\$ 207,150	\$ 117,154

### Note 8 - Agent Defined Benefit Pension Plan Description - City

**Plan Description** - The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension system that covers 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 MERS at 1134 Municipal Way, Lansing, MI 48917.

**Funding Policy** - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining unit and requires contributions of 12 percent from employees for all divisions except for IAFF Fire and IAFF after July 1, 2011 who require 5 percent and 6 percent, respectively.

**Benefits Provided** - The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers police employees, fire employees, and department heads.

Retirement benefits for GCSPPA and Library are calculated as 2.5 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 25 and out or a reduced benefit at 55 with 15 years of service. Vesting period is 10 years. Employees are eligible for non-duty disability benefits after one year of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Retirement benefits for POAM dispatchers are calculated as 2.5 percent of the employee's final four-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 25 and out or a reduced benefit at 55 with 15 years of service. Vesting period is 10 years. Employees are eligible for non-duty disability benefits after one year of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

### **Note 8 - Agent Defined Benefit Pension Plan Description - City (Continued)**

Retirement benefits for IAFF fire, POAM police officers and detectives, and COAM command are calculated as 2.5 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 55 with early retirement at 25 and out. Vesting period is 10 years. Employees are eligible for non-duty disability benefits after one year of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Retirement benefits for TPOAM are calculated as 2.57 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 25 and out or a reduced benefit at 55 with 15 years of service. Vesting period is 10 years. Employees are eligible for non-duty disability benefits after one year of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Retirement benefits for IAFF after July 1, 2011 are calculated as 2 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 55 with early retirement at 25 and out. Vesting period is 10 years. Employees are eligible for non-duty disability benefits after one year of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date limited to increases in the Consumer Price Index.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Police and fire employees' benefit terms may be subject to binding arbitration in certain circumstances.

# City of Garden City, Michigan

## Notes to Financial Statements June 30, 2015

### Note 8 - Agent Defined Benefit Pension Plan Description - City (Continued)

**Employees Covered by Benefit Terms** - At the December 31, 2014 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	164
Inactive plan members entitled to but not yet receiving benefits	7
Active plan members	<u>95</u>
Total employees covered by MERS	<u><u>266</u></u>

**Contributions** - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2015, the City's average monthly contribution was \$133,448. The average monthly contribution from the employees was \$62,669.

#### **Net Pension Liability**

The net pension liability reported at June 30, 2015 was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

# City of Garden City, Michigan

## Notes to Financial Statements June 30, 2015

### Note 8 - Agent Defined Benefit Pension Plan Description - City (Continued)

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2013</b>	\$ 75,876,271	\$ 55,195,783	\$ 20,680,488
Service cost	1,053,039	-	1,053,039
Interest	6,094,598	-	6,094,598
Contributions - Employer	-	1,575,233	(1,575,233)
Contributions - Employee	-	824,715	(824,715)
Net investment income	-	3,435,202	(3,435,202)
Benefit payments, including refunds	(5,057,759)	(5,057,759)	-
Administrative expenses	-	(125,638)	125,638
Net changes	2,089,878	651,753	1,438,125
<b>Balance at December 31, 2014</b>	<u>\$ 77,966,149</u>	<u>\$ 55,847,536</u>	<u>\$ 22,118,613</u>

**Benefit Changes** - During the current fiscal year, the collective bargaining units for the City of Garden City agreed to opt out of the 80/20 plan with the City in which the employee pays 20 percent of healthcare costs and the employer the remaining 80 percent. In exchange, the employee required contribution percentage would increase from 6 percent to 12 percent. This change affected all divisions except for the firefighters.

### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$2,210,452. At June 30, 2015, the City reported deferred outflows of resources and related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 802,906
Employer contributions to the plan subsequent to the measurement date	784,725
Total	<u>\$ 1,587,631</u>

# City of Garden City, Michigan

## Notes to Financial Statements June 30, 2015

### Note 8 - Agent Defined Benefit Pension Plan Description - City (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$784,725), which will impact the net pension liability in fiscal year 2016, rather than pension expense:

Years Ending June 30	Amount
2016	\$ 200,726
2017	200,726
2018	200,726
2019	200,726

**Actuarial Assumptions** - The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 %	3.0% - 4.0%
Salary increases	4.5 %	With merit increases totaling up to 13%, for a total of 4.5% - 17.5%
Investment rate of return	8.25 %	Gross of pension plan investment expense, including inflation

Mortality rates were based on the 1994 group mortality table.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study in 2008. The MERS retirement board is currently conducting an actuarial experience study covering the period from January 1, 2009 through December 31, 2013.

**Discount Rate** - The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

# City of Garden City, Michigan

## Notes to Financial Statements June 30, 2015

### Note 8 - Agent Defined Benefit Pension Plan Description - City (Continued)

#### Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2014, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	58 %	5.0 %
Global fixed income	20 %	2.2 %
Real assets	12 %	4.2 %
Diversifying strategies	10 %	6.6 %

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the City, calculated using the discount rate of 8.25 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.25 percent) or 1 percentage point higher (9.25 percent) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
	Net pension liability of the City	\$ 31,272,433	\$ 22,118,613



### **Note 8 - Agent Defined Benefit Pension Plan Description - City (Continued)**

**Pension Plan Fiduciary Net Position** - Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

### **Note 9 - Agent Defined Benefit Pension Plan Description - District Court**

**Plan Description** - The Court participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Court. 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 which includes the financial statements and required supplemental information for the system. That report can be obtained by writing to the system at 1134 Municipal Way, Lansing, Michigan 48917.

**Funding Policy** - The obligation to contribute and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a 5 percent contribution from employees.

**Benefits Provided** - The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MMERS.

The MMERS plan covers judge and court employees.

Retirement benefits for employees are calculated as 2.5 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 and out or a reduced benefit at 55 with 15 years of service. Vesting period is 10 years. Employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are always the larger of the benefit computed as a contingent survivor beneficiary or 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

### Note 9 - Agent Defined Benefit Pension Plan Description - District Court (Continued)

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date limited to increases in the Consumer Price Index.

Benefit terms, within the parameters established by MMERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions.

**Employees Covered by Benefit Terms** - At the December 31, 2014 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	4
Active plan members	<u>9</u>
Total employees covered by MMERS	<u><u>13</u></u>

**Contributions** - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MMERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MMERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2015, the Court's average monthly contribution was \$6,989. The average monthly contribution from the employees was \$1,537.

#### **Net Pension Liability**

The net pension liability reported at June 30, 2015 was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

# City of Garden City, Michigan

## Notes to Financial Statements June 30, 2015

### Note 9 - Agent Defined Benefit Pension Plan Description - District Court (Continued)

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at June 30, 2014</b>	\$ 2,189,829	\$ 1,551,257	\$ 638,572
Service cost	59,368	-	59,368
Interest	178,381	-	178,381
Contributions - Employer	-	85,762	(85,762)
Contributions - Employee	-	19,017	(19,017)
Net investment income	-	98,201	(98,201)
Benefit payments, including refunds	(114,639)	(114,639)	-
Administrative expenses	-	(3,611)	3,611
Net changes	123,110	84,730	38,380
<b>Balance at December 31, 2014</b>	<u>\$ 2,312,939</u>	<u>\$ 1,635,987</u>	<u>\$ 676,952</u>

### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$100,764. At June 30, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 23,378
Employer contributions to the plan subsequent to the measurement date	40,239
Total	<u>\$ 63,617</u>

# City of Garden City, Michigan

## Notes to Financial Statements June 30, 2015

### Note 9 - Agent Defined Benefit Pension Plan Description - District Court (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$40,239), which will impact the net pension liability in fiscal year 2016, rather than pension expense:

Years Ending June 30	Amount
2016	\$ 5,844
2017	5,844
2018	5,844
2019	5,844

**Actuarial Assumptions** - The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 %	3.0% - 4.0%
Salary increases	4.5 %	With merit increases totaling up to 13%, for a total of 4.5% - 17.5%
Investment rate of return	8.25 %	Gross of pension plan investment expense, including inflation

Mortality rates were based on the 1994 group mortality table.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study in 2008. The MMERS retirement board is currently conducting an actuarial experience study covering the period from January 1, 2009 through December 31, 2013.

**Discount Rate** - The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

# City of Garden City, Michigan

## Notes to Financial Statements June 30, 2015

### Note 9 - Agent Defined Benefit Pension Plan Description - District Court (Continued)

#### Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2014, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	58 %	5.0 %
Global fixed income	20 %	2.2 %
Real assets	12 %	4.2 %
Diversifying strategies	10 %	6.6 %

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the Court, calculated using the discount rate of 8.25 percent, as well as what the Court's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.25 percent) or 1 percentage point higher (9.25 percent) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Net pension liability of the City	\$ 954,208	\$ 676,952	\$ 446,245

### **Note 9 - Agent Defined Benefit Pension Plan Description - District Court (Continued)**

**Pension Plan Fiduciary Net Position** - Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are report by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

### **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 266 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

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.

# City of Garden City, Michigan

## Notes to Financial Statements June 30, 2015

### Note 10 - Other Postemployment Benefits (Continued)

**Funding Progress** - For the year ended June 30, 2015, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2015. 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)	\$ 7,007,046
Interest on the prior year's net OPEB obligation	617,950
Less adjustment to the annual required contribution	<u>(679,060)</u>
Annual OPEB cost	6,945,936
Amounts contributed - Payments of current premiums	<u>(2,420,712)</u>
Increase in net OPEB obligation	4,525,224
OPEB obligation - Beginning of year	<u>20,598,317</u>
OPEB obligation - End of year	<u>\$ 25,123,541</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	
6/30/13	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	7,195,166	32.5 %	32.6 %	20,598,316
6/30/15	7/1/14	7,007,046	6,945,939	34.5 %	34.8 %	25,123,544

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

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
6/30/11	\$ -	\$ 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
7/1/14	-	136,038,956	136,038,956	-	5,997,600	2,268.2

### **Note 10 - Other Postemployment Benefits (Continued)**

**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, 2014 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. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015 was 30 years.

### **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, 2015. 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.



### Note 11 - Joint Ventures (Continued)

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 25 years as the costs come due.

The City contributed \$477,695 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 February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2016 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the City to recognize on the face of the financial statements its net OPEB liability. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary 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 the City's financial statements for the year ending June 30, 2018.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement will require governments to disclose in their financial statements information related to tax abatement agreements. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the 2015-2016 fiscal year.

# City of Garden City, Michigan

## Notes to Financial Statements June 30, 2015

### Note 13 - Contingent Liabilities

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

### Note 14 - Change in Accounting

During the current year, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the government-wide statements and the proprietary funds now include a liability for our unfunded legacy costs. Some of the changes in this net pension liability will be recognized immediately as part of the pension expense measurement, and part will be deferred and recognized over future years. Refer to the pension footnote for further details.

The effect of these changes are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Water and Sewer Fund</u>
Net position - June 30, 2014 - As previously reported	\$ 11,556,197	\$ 37,769,668	\$ 37,527,589
Net pension liability upon implementation of GASB 68	<u>(18,313,491)</u>	<u>(2,204,859)</u>	<u>(2,204,859)</u>
Net position - June 30, 2014 - As restated	<u>\$ (6,757,294)</u>	<u>\$ 35,564,809</u>	<u>\$ 35,322,730</u>

## **Required Supplemental Information**

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# City of Garden City, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 7,241,666	\$ 7,241,666	\$ 7,255,934	\$ 14,268
Licenses and permits	40,000	40,000	38,921	(1,079)
Federal sources	176,500	176,500	128,169	(48,331)
State sources	4,651,698	4,651,698	4,493,243	(158,455)
Charges for services	725,690	765,690	810,790	45,100
21st District Court	897,450	912,434	869,790	(42,644)
Interest and other	417,241	417,241	439,929	22,688
Cable franchise fees	510,000	510,000	586,389	76,389
Total revenue	14,660,245	14,715,229	14,623,165	(92,064)
<b>Expenditures</b>				
Current:				
General government:				
Mayor and Council	45,083	45,083	34,444	10,639
Boards and commissions	43,696	43,696	31,041	12,655
Clerk/Treasurer	930,055	930,055	875,241	54,814
General government services	1,344,618	1,343,462	648,217	695,245
City administration	259,710	259,710	224,510	35,200
Total general government	2,623,162	2,622,006	1,813,453	808,553
21st District Court	902,608	917,592	901,163	16,429
Department of public service	1,984,859	1,984,859	1,770,769	214,090
Recreation and culture	1,968,649	2,120,649	1,994,986	125,663
Debt service	903,436	904,592	903,843	749
Total expenditures	8,382,714	8,549,698	7,384,214	1,165,484
<b>Excess of Revenue Over Expenditures</b>	6,277,531	6,165,531	7,238,951	1,073,420
<b>Other Financing Uses - Transfers out</b>	(7,222,299)	(7,222,299)	(6,844,052)	378,247
<b>Net Change in Fund Balance</b>	(944,768)	(1,056,768)	394,899	1,451,667
<b>Fund Balance - Beginning of year</b>	3,880,114	3,880,114	3,880,114	-
<b>Fund Balance - End of year</b>	<u>\$ 2,935,346</u>	<u>\$ 2,823,346</u>	<u>\$ 4,275,013</u>	<u>\$ 1,451,667</u>

# City of Garden City, Michigan

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## Note to Required Supplemental Information Year Ended June 30, 2015

**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, 2015

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Other Financing Uses</u>	<u>Unassigned Fund Balance</u>
General Fund:				
Amounts per operating statement	\$ 17,536,228	\$ 16,806,702	\$ (295,666)	\$ 4,539,891
205 - Public safety	(2,452,576)	(8,840,402)	(6,361,500)	76,996
249 - Building department	(459,613)	(582,086)	(136,886)	108,784
736 - Retiree health care	(874)	-	(50,000)	(579,295)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Amounts per budget statement	<u>\$ 14,623,165</u>	<u>\$ 7,384,214</u>	<u>\$ (6,844,052)</u>	<u>\$ 4,146,376</u>

# City of Garden City, Michigan

## Required Supplemental Information OPEB System Schedule Year Ended June 30, 2015

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
6/30/11	\$ -	\$ 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
7/1/14	-	136,038,956	136,038,956	-	5,997,600	2,268.2

# City of Garden City, Michigan

## Required Supplemental Information Schedule of City Contributions Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 1,601,381	\$ 1,533,789	\$ 1,327,738	\$ 1,062,459	\$ 1,206,622	\$ 1,457,651	\$ 1,405,731	\$ 1,251,620	\$ 1,157,227	\$ 746,736
Contributions in relation to the actuarially determined contribution	1,601,381	1,533,789	1,327,738	1,062,459	1,206,622	1,457,651	1,405,731	1,251,620	1,157,227	746,736
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 7,225,238	\$ 5,880,419	\$ 5,682,296	\$ 5,495,028	\$ 5,523,129	\$ 6,034,482	\$ 7,068,760	\$ 6,767,719	\$ 6,661,433	\$ 7,000,000
Contributions as a percentage of covered employee payroll	22.2 %	26.1 %	23.4 %	19.3 %	21.8 %	24.2 %	19.9 %	18.5 %	17.4 %	10.7 %

### Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 years
Asset valuation method	10-year smoothed
Inflation	4.5%
Salary increases	4.5% - 17.5%
Investment rate of return	8.0%
Retirement age	Varies by bargaining unit
Mortality	1994 Group Annuity Mortality Table
Other information	None





# City of Garden City, Michigan

## Required Supplemental Information Schedule of Changes in the City Net Pension Liability and Related Ratios City Employees

	2014
<b>Total Pension Liability</b>	
Service cost	\$ 1,053,039
Interest	6,094,598
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds	(5,057,759)
<b>Net Change in Total Pension Liability</b>	2,089,878
<b>Total Pension Liability - Beginning of year</b>	75,876,271
<b>Total Pension Liability - End of year</b>	<b>\$ 77,966,149</b>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 1,575,233
Contributions - Member	824,715
Net investment income	3,435,202
Administrative expenses	(125,638)
Benefit payments, including refunds	(5,057,759)
Other	-
<b>Net Change in Plan Fiduciary Net Position</b>	651,753
<b>Plan Fiduciary Net Position - Beginning of year</b>	55,195,783
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 55,847,536</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 22,118,613</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	71.63 %
<b>Covered Employee Payroll</b>	\$ 7,225,238
<b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	306.1 %

# City of Garden City, Michigan

## Required Supplemental Information Schedule of Changes in the City Net Pension Liability and Related Ratios District Court Employees

	2014
<b>Total Pension Liability</b>	
Service cost	\$ 59,368
Interest	178,381
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds	(114,639)
<b>Net Change in Total Pension Liability</b>	123,110
<b>Total Pension Liability - Beginning of year</b>	2,189,829
<b>Total Pension Liability - End of year</b>	<b>\$ 2,312,939</b>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 85,762
Contributions - Member	19,017
Net investment income	98,201
Administrative expenses	(3,611)
Benefit payments, including refunds	(114,639)
Other	-
<b>Net Change in Plan Fiduciary Net Position</b>	84,730
<b>Plan Fiduciary Net Position - Beginning of year</b>	1,551,257
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 1,635,987</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 676,952</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	70.73 %
<b>Covered Employee Payroll</b>	\$ 429,582
<b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	157.6 %

## **Other Supplemental Information**

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# City of Garden City, Michigan

	Special Revenue Funds					
	Major Roads Fund	Local Streets Fund	233 - 911	248 -		
				Community Development Block Grant	296 - Rehabilitation Revolving	264 - Police Drug Confiscations
<b>Assets</b>						
Cash and investments	\$ 1,818,492	\$ 340,079	\$ 227,306	\$ -	\$ 34,867	\$ 93,687
Receivables	143,411	69,997	36,566	182,426	1,300	39
Prepaid expenditures and other assets	-	-	-	-	-	-
Due from other governmental units	192,566	143,560	-	-	-	-
<b>Total assets</b>	<b>\$ 2,154,469</b>	<b>\$ 553,636</b>	<b>\$ 263,872</b>	<b>\$ 182,426</b>	<b>\$ 36,167</b>	<b>\$ 93,726</b>
<b>Liabilities</b>						
Accounts payable	\$ 25,028	\$ 15,713	\$ -	\$ 53,162	\$ -	\$ -
Due to other governmental units	-	-	-	1,485	-	-
Due to other funds	-	-	-	127,779	-	-
Accrued and other liabilities	-	-	-	-	-	-
<b>Total liabilities</b>	<b>25,028</b>	<b>15,713</b>	<b>-</b>	<b>182,426</b>	<b>-</b>	<b>-</b>
<b>Deferred Inflows of Resources -</b>						
Unavailable revenue	142,568	69,878	-	171,127	-	-
<b>Fund Balances</b>						
Nonspendable	-	-	-	-	-	-
Restricted:						
Roads	1,986,873	468,045	-	-	-	-
Public safety	-	-	263,872	-	-	93,726
Debt service	-	-	-	-	-	-
Housing rehabilitation	-	-	-	-	36,167	-
Capital projects	-	-	-	-	-	-
PEG fees	-	-	-	-	-	-
Library	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Fund balance - Unassigned	-	-	-	(171,127)	-	-
<b>Total fund balances</b>	<b>1,986,873</b>	<b>468,045</b>	<b>263,872</b>	<b>(171,127)</b>	<b>36,167</b>	<b>93,726</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 2,154,469</b>	<b>\$ 553,636</b>	<b>\$ 263,872</b>	<b>\$ 182,426</b>	<b>\$ 36,167</b>	<b>\$ 93,726</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015**

Special Revenue Funds			Debt Service Funds	Capital Projects Funds					Total Nonmajor Governmental Funds
235 - Franchise Peg Fees	219 - Street Lighting Assessment	790 - Library	301 - Debt Retirement	401 - Capital Projects	436 - District Court Building Fund	852 - Maplewood Road	853 - Maplewood II	850 - Florence Reconstruction	
\$ 88,411	\$ 516	\$ 383,734	\$ 59,742	\$ 259,823	\$ 402,353	\$ 30,609	\$ 21,347	\$ 13,523	\$ 3,774,489
25,361	-	2,084	8,109	26	2,921	14	5,756	40,545	518,555
-	-	1,396	-	-	-	-	-	-	1,396
-	-	-	-	-	-	-	-	-	336,126
<b>\$ 113,772</b>	<b>\$ 516</b>	<b>\$ 387,214</b>	<b>\$ 67,851</b>	<b>\$ 259,849</b>	<b>\$ 405,274</b>	<b>\$ 30,623</b>	<b>\$ 27,103</b>	<b>\$ 54,068</b>	<b>\$ 4,630,566</b>
\$ 17,313	\$ 40,075	\$ 3,719	\$ -	\$ -	\$ 65	\$ -	\$ 1,274	\$ -	\$ 156,349
-	-	-	-	-	-	-	-	-	1,485
-	-	-	-	-	-	-	-	-	127,779
-	-	7,796	13,540	-	-	-	-	-	21,336
17,313	40,075	11,515	13,540	-	65	-	1,274	-	306,949
-	-	1,926	8,109	-	-	-	5,756	40,539	439,903
-	-	1,396	-	-	-	-	-	-	1,396
-	-	-	-	-	-	-	-	-	2,454,918
-	-	-	-	-	-	-	-	-	357,598
-	-	-	46,202	-	-	-	-	-	46,202
-	-	-	-	-	-	-	-	-	36,167
-	-	-	-	-	-	30,623	20,073	13,529	64,225
96,459	-	-	-	-	-	-	-	-	96,459
-	-	372,377	-	-	-	-	-	-	372,377
-	-	-	-	259,849	405,209	-	-	-	665,058
-	(39,559)	-	-	-	-	-	-	-	(210,686)
96,459	(39,559)	373,773	46,202	259,849	405,209	30,623	20,073	13,529	3,883,714
<b>\$ 113,772</b>	<b>\$ 516</b>	<b>\$ 387,214</b>	<b>\$ 67,851</b>	<b>\$ 259,849</b>	<b>\$ 405,274</b>	<b>\$ 30,623</b>	<b>\$ 27,103</b>	<b>\$ 54,068</b>	<b>\$ 4,630,566</b>

# City of Garden City, Michigan

	Special Revenue Funds					
	248 -					
	Major Roads Fund	Local Streets Fund	233 - 911	Community Development Block Grant	296 - Rehabilitation Revolving	264 - Police Drug Confiscations
<b>Revenue</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	139,538	7,854	-
State sources	1,201,378	596,798	-	-	-	-
Charges for services	-	65,684	-	-	-	-
Interest and other	3,276	291	155,105	-	-	1,884
Special assessments	46,536	24,222	-	-	-	-
<b>Total revenue</b>	<b>1,251,190</b>	<b>686,995</b>	<b>155,105</b>	<b>139,538</b>	<b>7,854</b>	<b>1,884</b>
<b>Expenditures</b>						
Current:						
Public safety	-	-	140,100	-	-	2,799
Public service	458,278	1,640,179	-	-	-	-
Community maintenance, development, and other	-	-	-	273,701	8,927	-
Recreation and culture	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
<b>Total expenditures</b>	<b>458,278</b>	<b>1,640,179</b>	<b>140,100</b>	<b>273,701</b>	<b>8,927</b>	<b>2,799</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>792,912</b>	<b>(953,184)</b>	<b>15,005</b>	<b>(134,163)</b>	<b>(1,073)</b>	<b>(915)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	600,689	-	-	-	-
Transfers out	(600,689)	-	-	-	-	-
<b>Total other financing (uses) sources</b>	<b>(600,689)</b>	<b>600,689</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>192,223</b>	<b>(352,495)</b>	<b>15,005</b>	<b>(134,163)</b>	<b>(1,073)</b>	<b>(915)</b>
<b>Fund Balances (Deficit) - Beginning of year</b>	<b>1,794,650</b>	<b>820,540</b>	<b>248,867</b>	<b>(36,964)</b>	<b>37,240</b>	<b>94,641</b>
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ 1,986,873</b>	<b>\$ 468,045</b>	<b>\$ 263,872</b>	<b>\$ (171,127)</b>	<b>\$ 36,167</b>	<b>\$ 93,726</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances (Deficit)**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2015**

Special Revenue Funds		Debt Service Fund		Capital Projects Funds					Total Nonmajor Governmental Funds
235 - Franchise Peg Fees	219 - Street Lighting Assessment	790 - Library	301 - Debt Retirement	401 - Capital Projects	436 - District Court Building Fund	852 - Maplewood Road	853 - Maplewood II	850 - Florence Reconstruction	
\$ -	\$ -	\$ 457,504	\$ 1,505,153	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,962,657
-	-	-	-	-	-	-	-	-	147,392
20,000	-	19,392	-	-	-	-	-	-	1,837,568
-	-	-	-	-	-	-	-	-	65,684
96,303	-	37,869	558	76	39,565	47	62	21	335,057
-	440,714	-	-	-	-	-	11,021	13,584	536,077
116,303	440,714	514,765	1,505,711	76	39,565	47	11,083	13,605	4,884,435
-	-	-	-	-	-	-	-	-	142,899
-	-	-	-	-	-	-	-	76	2,098,533
107,078	480,788	-	-	-	-	-	-	-	870,494
-	-	413,168	-	-	-	-	-	-	413,168
-	-	-	-	102,978	-	-	-	-	102,978
-	-	-	1,480,875	-	-	-	-	-	1,480,875
107,078	480,788	413,168	1,480,875	102,978	-	-	-	76	5,108,947
9,225	(40,074)	101,597	24,836	(102,902)	39,565	47	11,083	13,529	(224,512)
-	-	-	-	200,000	-	-	-	-	800,689
-	-	-	-	-	-	-	-	-	(600,689)
-	-	-	-	200,000	-	-	-	-	200,000
9,225	(40,074)	101,597	24,836	97,098	39,565	47	11,083	13,529	(24,512)
87,234	515	272,176	21,366	162,751	365,644	30,576	8,990	-	3,908,226
<b>\$ 96,459</b>	<b>\$ (39,559)</b>	<b>\$ 373,773</b>	<b>\$ 46,202</b>	<b>\$ 259,849</b>	<b>\$ 405,209</b>	<b>\$ 30,623</b>	<b>\$ 20,073</b>	<b>\$ 13,529</b>	<b>\$ 3,883,714</b>



# City of Garden City, Michigan

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## Other Supplemental Information Balance Sheet - Modified Accrual Basis Downtown Development Authority June 30, 2015

	Downtown Development Authority
<b>Assets</b>	
Cash and investments	\$ 290,127
Receivables - Net	<u>223,352</u>
Total assets	<u><b>\$ 513,479</b></u>
<b>Liabilities</b>	
Accounts payable	\$ 18,672
Due to other governmental units	78
Accrued and other liabilities	<u>555</u>
Total liabilities	19,305
<b>Deferred Inflows of Resources</b> - Unavailable revenue	223,255
<b>Fund Balance</b> - Unassigned	<u>270,919</u>
Total liabilities, deferred inflows of resources, and fund balance	<u><b>\$ 513,479</b></u>

# City of Garden City, Michigan

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## Other Supplemental Information Statement of Revenue, Expenditures, and Changes in Fund Balance - Modified Accrual Basis Downtown Development Authority Year Ended June 30, 2015

<b>Revenue</b>	
Property taxes	\$ 495,347
Interest and other	<u>40,123</u>
Total revenue	535,470
<b>Expenditures - Current</b>	
Community maintenance, development, and other	245,597
Debt service	<u>244,914</u>
Total expenditures	<u>490,511</u>
<b>Excess of Revenue Over Expenditures</b>	44,959
<b>Fund Balance - Beginning of year</b>	<u>225,960</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 270,919</u></u>

# City of Garden City, Michigan

## Schedules of Indebtedness Governmental Activities Obligation Bonds Year Ended June 30, 2015

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

<u>Fiscal Year</u>	<u>Maturity Amount</u>	<u>Interest</u>		<u>Total</u>
		<u>Rate (Percent)</u>	<u>Amount</u>	
2015/2016	\$ 200,000	5.000	\$ 24,000	\$ 224,000
2016/2017	240,000	4.000	14,200	254,200
2017/2018	<u>235,000</u>	4.000	<u>4,700</u>	<u>239,700</u>
Total	<u>\$ 675,000</u>		<u>\$ 42,900</u>	<u>\$ 717,900</u>

# City of Garden City, Michigan

## Schedules of Indebtedness Governmental Activities Obligation Bonds (Continued) Year Ended June 30, 2015

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	
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	<b>\$ 6,925,000</b>		<b>\$ 608,300</b>	<b>\$ 7,533,300</b>

# City of Garden City, Michigan

## Schedules of Indebtedness Business-type Activities Obligation Bonds Year Ended June 30, 2015

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
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>\$ 1,275,000</u>		<u>\$ 398,706</u>	<u>\$ 1,673,706</u>

# City of Garden City, Michigan

## Schedules of Indebtedness Governmental and Business-type Activities Obligation Bonds Year Ended June 30, 2015

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	<u>Maturity Allocation</u>			Interest Rate (Percent)	<u>Interest Allocation</u>			Total Principal and Interest
	Total Maturity Amount	General Fund	Enterprise Fund		Total Interest Expense	General Fund	Enterprise Fund	
2015/2016	<u>\$ 739,998</u>	<u>\$ 215,847</u>	<u>\$ 524,151</u>	4.800	<u>\$ 17,760</u>	<u>\$ 5,180</u>	<u>\$ 12,580</u>	<u>\$ 757,758</u>
Total	<u><b>\$ 739,998</b></u>	<u><b>\$ 215,847</b></u>	<u><b>\$ 524,151</b></u>		<u><b>\$ 17,760</b></u>	<u><b>\$ 5,180</b></u>	<u><b>\$ 12,580</b></u>	<u><b>\$ 757,758</b></u>

# City of Garden City, Michigan

## Schedules of Indebtedness Governmental and Business-type Activities Obligation Bonds (Continued) Year Ended June 30, 2015

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	General Fund	Enterprise Fund	Interest Rate (Percent)	Total Interest Expense	General Fund	Enterprise Fund	Total Principal and Interest
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
<b>Total</b>	<b>\$ 1,605,000</b>	<b>\$ 324,210</b>	<b>\$ 1,280,790</b>		<b>\$ 216,422</b>	<b>\$ 43,717</b>	<b>\$ 172,705</b>	<b>\$ 1,821,422</b>

# City of Garden City, Michigan

## Schedules of Indebtedness Business-type Activities and Component Unit Development Bonds Year Ended June 30, 2015

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

Fiscal Year	Total Maturity Amount	Maturity Allocation		Interest Rate (Percent)	Total Interest Expense	Interest Allocation		Total
		Component Unit (DDA)	Enterprise Fund			Component Unit (DDA)	Enterprise Fund	
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>\$ 1,020,004</u>	<u>\$ 837,318</u>	<u>\$ 182,686</u>		<u>\$ 53,750</u>	<u>\$ 44,122</u>	<u>\$ 9,628</u>	<u>\$ 1,073,754</u>

State Revolving Fund Debt\* \$ 108,936

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