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# City of Garden City, Michigan

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**Financial Report  
with Supplemental Information  
June 30, 2018**

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## Independent Auditor's Report

To the Board of Directors  
City of Garden City, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental units, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Garden City, Michigan (the "City") as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the City of Garden City, Michigan's basic financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental units, 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, 2018 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 12 to the basic financial statements, in 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which established accounting and financial reporting standards for defined benefit OPEB plans provided to the employees of governmental employers. Our opinion is not modified with respect to this matter.

To the Board of Directors  
City of Garden City, Michigan

**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 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 an opinion on the financial statements that collectively comprise the City of Garden City, Michigan's basic financial statements. The nonmajor governmental funds combining schedules and the Downtown Development Authority schedules 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.

*Plante & Moran, PLLC*

November 30, 2018

As management of the City of Garden City, Michigan (the "City"), we offer readers this narrative overview and analysis of the financial activities for the year ended June 30, 2018.

### **Financial Highlights**

- The City's fiscal diligence and responsibility continues. This year's increase to the General Fund fund balance follows the trend of the past few years. The City monitors spending, increases productivity due to technology, and consolidates services. We will continue to follow the policies that have strengthened our net position for the last several years.
- Total net position related to the City's governmental activities decreased by approximately \$83,000,000, primarily due to the increasing unfunded liability associated with retiree health care.
- The City's taxable value remained substantially flat, due to the mandated caps of proposal A and the negligible increased inflation rate. Our State Equalized Value (SEV), however, increased, indicative of a stronger economy and a continually healthy housing market.
- Four of the five bargaining groups have contracts that have been extended and expire in June 2022 or 2023. The contract for the International Association of Firefighters has been negotiated and expires in 2020.

### **Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to City's basic financial statements. The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes supplemental information intended to furnish additional detail to support the basic financial statements themselves.

### **Government-wide Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The statement of net position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., the cost of pension and other postemployment benefits).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community and economic development, and culture and recreation. The business-type activities of the City include providing water and sewage disposal.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Brownfield Redevelopment Authority and a legally separate Downtown Development Authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The Building Authority, although also legally separate, functions for all practical purposes as a department of the City and, therefore, has been included as part of the primary government.

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into the following three categories:

- **Governmental funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements. The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.
- **Proprietary funds** - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewage disposal activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the management of its retained risks and for its fleet of vehicles. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.
- **Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds include both the pension and other postemployment benefit trust funds and agency funds.

#### **Notes and Other Information**

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents required supplemental information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplemental information on pensions and OPEB.

# City of Garden City, Michigan

## Management's Discussion and Analysis (Continued)

### City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current and other assets	\$ 17,467,899	\$ 14,172,905	\$ 13,079,758	\$ 12,966,689	\$ 30,547,657	\$ 27,139,594
Capital assets	29,269,620	28,612,120	36,972,214	35,531,234	66,241,834	64,143,354
Total assets	46,737,519	42,785,025	50,051,972	48,497,923	96,789,491	91,282,948
<b>Deferred Outflows of Resources</b>						
	1,669,109	5,045,678	189,612	594,349	1,858,721	5,640,027
<b>Liabilities</b>						
Current liabilities	1,065,024	1,081,078	1,131,314	900,132	2,196,338	1,981,210
Noncurrent liabilities	146,001,999	63,657,517	27,598,930	12,080,613	173,600,929	75,738,130
Total liabilities	147,067,023	64,738,595	28,730,244	12,980,745	175,797,267	77,719,340
<b>Deferred Inflows of Resources</b>	942,707	110,081	111,571	13,687	1,054,278	123,768
<b>Net Position</b>						
Net investment in capital assets	27,922,887	24,339,453	31,467,351	31,387,403	59,390,238	55,726,856
Restricted	6,541,665	4,845,408	-	-	6,541,665	4,845,408
Unrestricted	(134,067,654)	(46,202,834)	(10,067,582)	4,710,437	(144,135,236)	(41,492,397)
Total net position *	<b>\$ (99,603,102)</b>	<b>\$ (17,017,973)</b>	<b>\$ 21,399,769</b>	<b>\$ 36,097,840</b>	<b>\$ (78,203,333)</b>	<b>\$ 19,079,867</b>

\* Note that the total net position includes the impact of implementing GASB No. 75. Due to this impact, the net position for the governmental and business-type activities decreased by \$81,847,043 and decreased by \$14,109,934, respectively.

# City of Garden City, Michigan

## Management's Discussion and Analysis (Continued)

### City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 3,648,835	\$ 3,386,744	\$ 9,643,907	\$ 9,800,679	\$ 13,292,742	\$ 13,187,423
Operating grants	4,424,529	4,011,901	-	-	4,424,529	4,011,901
Capital grants	75,600	168,280	11,405	108,558	87,005	276,838
General revenue:						
Property taxes	11,340,968	11,090,667	-	-	11,340,968	11,090,667
State-shared revenue	2,992,260	2,910,799	-	-	2,992,260	2,910,799
Investment earnings	385,896	246,561	115,749	74,839	501,645	321,400
Other revenue:						
Cable franchise fees	496,135	527,651	-	-	496,135	527,651
Sale of capital assets	6,300	7,508	-	-	6,300	7,508
Other miscellaneous income	49,905	55,223	-	-	49,905	55,223
Total revenue	23,420,428	22,405,334	9,771,061	9,984,076	33,191,489	32,389,410
<b>Expenses</b>						
General government	2,234,686	2,638,256	-	-	2,234,686	2,638,256
21st District Court	1,079,739	1,195,461	-	-	1,079,739	1,195,461
Public safety	11,922,324	13,146,915	-	-	11,922,324	13,146,915
Public service	5,456,887	5,335,035	-	-	5,456,887	5,335,035
Community and economic development	756,845	657,224	-	-	756,845	657,224
Recreation and culture	3,088,382	3,703,863	-	-	3,088,382	3,703,863
Debt service	219,651	133,765	-	-	219,651	133,765
Water and sewer	-	-	8,826,706	8,411,796	8,826,706	8,411,796
Rubbish disposal	-	-	1,532,492	1,430,128	1,532,492	1,430,128
Total expenses	24,758,514	26,810,519	10,359,198	9,841,924	35,117,712	36,652,443
<b>Change in Net Position</b>	(1,338,086)	(4,405,185)	(588,137)	142,152	(1,926,223)	(4,263,033)
<b>Net Position - Beginning of year, as restated (Note 12)</b>	(98,265,016)	(12,612,788)	21,987,906	35,955,688	(76,277,110)	23,342,900
<b>Net Position - End of year</b>	<b><u>\$ (99,603,102)</u></b>	<b><u>\$ (17,017,973)</u></b>	<b><u>\$ 21,399,769</u></b>	<b><u>\$ 36,097,840</u></b>	<b><u>\$ (78,203,333)</u></b>	<b><u>\$ 19,079,867</u></b>



### **Financial Analysis of Individual Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for discretionary use, as it represents the portion of the fund balance that has not yet been limited to use for a particular purpose by an external party. Uncommitted or unassigned fund balance provides further information about the resources that have not been constrained by either the City Council or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

Within these governmental funds, the General Fund is the most significant to understanding the City's financial activities. In addition, the Water and Sewer Fund is a significant enterprise activity for the City. A brief analysis of the general fund is presented below:

### **General Fund Budgetary Highlights**

Over the course of the year, the City amended the budget to take into account events during the year, adding approximately \$15,000. 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 by \$1,429,987 during the year ended June 30, 2018.

### **Capital Assets and Debt Administration**

The City's investment in capital assets is increasing as our revenue increases. Investment in our buildings, roads, public service equipment, public safety vehicles, and communications equipment sustains the City's infrastructure. As our debt continues to decrease, investment in capital assets can increase.

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

The City's budget for fiscal year 2018-2019 shows a nominal increase in taxable values. We expect this trend to continue. State-shared revenue is also showing a small increase. The City continues to receive significant grant revenue, which complements its economic strategies. We have not needed to tap into our fund balance, and instead have added to it.

Development within the City is increasing. We have seen significant expansion from one of our major employers. However, occupancy rates seem to be decreasing.

Some capital investment in infrastructure is planned using financing and debt strategies offset by older debt being eliminated. Major improvements to our ice arena and municipal parking lots are planned.

Water and sewer rates were able to be kept the same to end users in the fiscal year ended June 30, 2018. The rate structure is reviewed annually to ensure the sustainability of the fund.

### **Requests for Further Information**

This financial report is intended to provide a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact the office of the city clerk/treasurer.

June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 12,295,625	\$ 9,609,527	\$ 21,905,152	\$ 126,380
Receivables:				
Property taxes receivable	199,781	-	199,781	-
Special assessments receivable	225,300	-	225,300	223,793
Accrued interest receivable	38,590	17,099	55,689	292
Customer receivables	-	3,391,842	3,391,842	-
Other receivables	1,550,531	-	1,550,531	-
Prepaid expenses and other assets	382,009	55,016	437,025	900
Due from other governmental units	956,317	6,274	962,591	-
Restricted assets - Restricted cash and cash equivalents	1,819,746	-	1,819,746	-
Capital assets: (Note 5)				
Assets not subject to depreciation	3,718,940	4,639,222	8,358,162	-
Assets subject to depreciation - Net	25,550,680	32,332,992	57,883,672	1,488,390
<b>Total assets</b>	<b>46,737,519</b>	<b>50,051,972</b>	<b>96,789,491</b>	<b>1,839,755</b>
<b>Deferred Outflows of Resources</b>				
Bond refunding loss being amortized (Note 7)	10,407	261	10,668	1,196
Deferred outflows related to pension (Note 9)	1,658,702	189,351	1,848,053	-
<b>Total deferred outflows of resources</b>	<b>1,669,109</b>	<b>189,612</b>	<b>1,858,721</b>	<b>1,196</b>
<b>Liabilities</b>				
Accounts payable	571,410	1,049,945	1,621,355	1,787
Due to other governmental units	1,485	-	1,485	-
Accrued liabilities and other	492,129	81,369	573,498	4,127
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	360,298	49,688	409,986	-
Current portion of long-term debt (Note 7)	1,637,520	511,363	2,148,883	201,121
Due in more than one year:				
Compensated absences	604,872	34,355	639,227	-
Net pension liability (Note 9)	28,617,874	3,439,793	32,057,667	-
Long-term debt (Note 7)	4,393,277	4,993,761	9,387,038	-
Total OPEB liability (Note 10)	110,388,158	18,569,970	128,958,128	-
<b>Total liabilities</b>	<b>147,067,023</b>	<b>28,730,244</b>	<b>175,797,267</b>	<b>207,035</b>
<b>Deferred Inflows of Resources - Deferred inflows related to pension (Note 9)</b>	<b>942,707</b>	<b>111,571</b>	<b>1,054,278</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	27,922,887	31,467,351	59,390,238	1,288,465
Restricted:				
Streets and highways	3,543,255	-	3,543,255	-
Debt service	42,127	-	42,127	-
Capital projects	2,019,182	-	2,019,182	-
Police grant activities	70,515	-	70,515	-
Franchise PEG fees	30,177	-	30,177	-
911	300,461	-	300,461	-
Community development	15,366	-	15,366	-
Library	520,582	-	520,582	-
Unrestricted	(134,067,654)	(10,067,582)	(144,135,236)	345,451
<b>Total net position</b>	<b>\$ (99,603,102)</b>	<b>\$ 21,399,769</b>	<b>\$ (78,203,333)</b>	<b>\$ 1,633,916</b>

# 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	\$ 2,234,686	\$ 498,910	\$ -	\$ -
21st District Court	1,079,739	863,072	46,329	-
Public safety	11,922,324	686,989	275,446	-
Public works	5,456,887	480,655	2,941,529	75,600
Community and economic development	756,845	504,321	189,425	-
Recreation and culture	3,088,382	614,888	971,800	-
Interest on long-term debt	219,651	-	-	-
Total governmental activities	24,758,514	3,648,835	4,424,529	75,600
Business-type activities:				
Water and Sewer Fund	8,826,706	7,964,341	-	11,405
Rubbish Collection Fund	1,532,492	1,679,566	-	-
Total business-type activities	10,359,198	9,643,907	-	11,405
Total primary government	<b>\$ 35,117,712</b>	<b>\$ 13,292,742</b>	<b>\$ 4,424,529</b>	<b>\$ 87,005</b>
Component units	<b>\$ 393,908</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,504</b>

General revenue:  
 Property taxes  
 State-shared revenue  
 Investment income  
 Cable franchise fees  
 Gain on sale of capital assets  
 Other miscellaneous income  
 Total general revenue

### Change in Net Position

**Net Position** - Beginning of year, as restated (Note 12)

**Net Position** - End of year

## Statement of Activities

Year Ended June 30, 2018

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,735,776)	\$ -	\$ (1,735,776)	\$ -
(170,338)	-	(170,338)	-
(10,959,889)	-	(10,959,889)	-
(1,959,103)	-	(1,959,103)	-
(63,099)	-	(63,099)	-
(1,501,694)	-	(1,501,694)	-
(219,651)	-	(219,651)	-
(16,609,550)	-	(16,609,550)	-
-	(850,960)	(850,960)	-
-	147,074	147,074	-
-	(703,886)	(703,886)	-
(16,609,550)	(703,886)	(17,313,436)	-
-	-	-	(392,404)
11,340,968	-	11,340,968	398,308
2,992,260	-	2,992,260	-
385,896	115,749	501,645	1,048
496,135	-	496,135	-
6,300	-	6,300	-
49,905	-	49,905	73,937
15,271,464	115,749	15,387,213	473,293
(1,338,086)	(588,137)	(1,926,223)	80,889
(98,265,016)	21,987,906	(76,277,110)	1,553,027
<b><u>\$ (99,603,102)</u></b>	<b><u>\$ 21,399,769</u></b>	<b><u>\$ (78,203,333)</u></b>	<b><u>\$ 1,633,916</u></b>

# City of Garden City, Michigan

## Balance Sheet

June 30, 2018

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 6,318,826	\$ 4,856,068	\$ 11,174,894
Receivables	1,702,944	309,275	2,012,219
Due from other funds	23,777	26,524	50,301
Prepaid expenses and other assets	333,379	23,130	356,509
Due from other governmental units	537,254	419,063	956,317
Restricted assets	-	1,819,746	1,819,746
	<u>\$ 8,916,180</u>	<u>\$ 7,453,806</u>	<u>\$ 16,369,986</u>
Total assets			
<b>Liabilities</b>			
Accounts payable	\$ 331,004	\$ 222,951	\$ 553,955
Due to other governmental units	-	1,485	1,485
Due to other funds	-	50,301	50,301
Accrued liabilities and other	445,743	11,510	457,253
	<u>776,747</u>	<u>286,247</u>	<u>1,062,994</u>
Total liabilities			
<b>Deferred Inflows of Resources</b> - Unavailable revenue	67,009	229,351	296,360
<b>Fund Balances</b>			
Nonspendable - Prepaids	333,379	23,130	356,509
Restricted:			
Roads	-	3,449,997	3,449,997
Public safety	-	370,976	370,976
Debt service	-	34,350	34,350
Community development	-	15,366	15,366
Capital projects	-	1,893,313	1,893,313
PEG fees	-	29,604	29,604
Library	-	517,562	517,562
Assigned - Capital projects and street lighting	-	603,910	603,910
Unassigned	7,739,045	-	7,739,045
	<u>8,072,424</u>	<u>6,938,208</u>	<u>15,010,632</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,916,180</u>	<u>\$ 7,453,806</u>	<u>\$ 16,369,986</u>

## City of Garden City, Michigan

### Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2018

<b>Fund Balances Reported in Governmental Funds</b>	\$ 15,010,632
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	29,269,620
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	296,360
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	1,658,702
Deferred charges on refunding	10,407
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(5,661,886)
Accrued interest is not due and payable in the current period and is not reported in the funds	(34,876)
Some employee fringe benefits 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:	
Employee compensated absences	(965,170)
Pension benefits	(28,617,874)
Other postemployment benefits	(110,388,158)
Deferred inflow of resources related to pension are recorded in the statement of net position	(942,707)
Internal service funds are included as part of governmental activities	761,848
<b>Net Position of Governmental Activities</b>	<b><u>\$ (99,603,102)</u></b>

# City of Garden City, Michigan

## Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2018

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>			
Property taxes	\$ 9,199,082	\$ 2,160,944	\$ 11,360,026
Special assessments	-	467,436	467,436
State and federal sources:			
Federal grants	483,334	111,122	594,456
State sources	4,003,428	2,661,891	6,665,319
Charges for services	1,793,203	87,181	1,880,384
21st District Court	826,435	-	826,435
Licenses and permits	33,129	-	33,129
Interest and other	738,107	380,272	1,118,379
Cable franchise fees	569,341	-	569,341
<b>Total revenue</b>	<b>17,646,059</b>	<b>5,868,846</b>	<b>23,514,905</b>
<b>Expenditures</b>			
Current services:			
General government	1,981,519	-	1,981,519
21st District Court	968,289	-	968,289
Public safety	9,211,317	146,851	9,358,168
Public service	753,624	2,904,636	3,658,260
Community and economic development	641,337	759,079	1,400,416
Recreation and culture	2,092,888	478,181	2,571,069
Capital outlay	-	1,114,907	1,114,907
Debt service	262,329	1,725,050	1,987,379
<b>Total expenditures</b>	<b>15,911,303</b>	<b>7,128,704</b>	<b>23,040,007</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>1,734,756</b>	<b>(1,259,858)</b>	<b>474,898</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	1,261,249	1,261,249
Transfers out	(224,522)	(1,036,727)	(1,261,249)
New debt issued	151,061	2,921,865	3,072,926
Payment to bond refunding escrow agent	(152,183)	-	(152,183)
<b>Total other financing (uses) sources</b>	<b>(225,644)</b>	<b>3,146,387</b>	<b>2,920,743</b>
<b>Net Change in Fund Balances</b>	<b>1,509,112</b>	<b>1,886,529</b>	<b>3,395,641</b>
<b>Fund Balances - Beginning of year</b>	<b>6,563,312</b>	<b>5,051,679</b>	<b>11,614,991</b>
<b>Fund Balances - End of year</b>	<b>\$ 8,072,424</b>	<b>\$ 6,938,208</b>	<b>\$ 15,010,632</b>

## City of Garden City, Michigan

### Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2018

<b>Net Change in Fund Balance Reported in Governmental Funds</b>	<b>\$ 3,395,641</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	2,919,235
Depreciation expense	(2,261,735)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(68,796)
Deferred charges on refunding are an expenditure in the governmental funds, but are capitalized and amortized over the term of the bond	14,604
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,988,520
Issuing debt provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(3,001,061)
Interest expense is recognized in the government-wide statements as it accrues	3,382
Change in personal property tax revenue	(7,495)
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	(11,518)
Bond premium is not recorded in the funds	(143,856)
Change in net other postemployment benefits liability is recorded when incurred in the statement of activities	(1,229,870)
Change in net pension liability and related deferrals are recorded when incurred in the statement of activities	(2,839,904)
Internal service funds are included as part of governmental activities	(95,233)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (1,338,086)</u></b>



Proprietary Funds  
Statement of Net Position

June 30, 2018

	Enterprise Funds			Governmental
	Water and Sewer Fund	Rubbish Collection Fund	Total Enterprise Funds	Internal Service Funds
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 9,085,942	\$ 523,585	\$ 9,609,527	\$ 1,120,731
Receivables - Net:				
Accrued interest receivable	16,177	922	17,099	1,983
Customer receivables	3,391,822	20	3,391,842	-
Prepaid expenses and other assets	55,016	-	55,016	25,500
Due from other governmental units	6,274	-	6,274	-
Total current assets	12,555,231	524,527	13,079,758	1,148,214
Noncurrent assets:				
Capital assets:				
Assets not subject to depreciation	4,639,222	-	4,639,222	-
Assets subject to depreciation - Net	32,332,992	-	32,332,992	-
Total assets	49,527,445	524,527	50,051,972	1,148,214
<b>Deferred Outflows of Resources</b>				
Bond refunding loss being amortized	261	-	261	-
Deferred outflows related to pension	189,351	-	189,351	-
Total deferred outflows of resources	189,612	-	189,612	-
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	1,046,154	3,791	1,049,945	17,455
Accrued liabilities and other	81,369	-	81,369	-
Compensated absences	49,688	-	49,688	-
Current portion of long-term debt	511,363	-	511,363	-
Total current liabilities	1,688,574	3,791	1,692,365	17,455
Noncurrent liabilities:				
Compensated absences	34,355	-	34,355	-
Net pension liability	3,439,793	-	3,439,793	-
Long-term debt	4,993,761	-	4,993,761	368,911
Total OPEB liability	18,569,970	-	18,569,970	-
Total noncurrent liabilities	27,037,879	-	27,037,879	368,911
Total liabilities	28,726,453	3,791	28,730,244	386,366
<b>Deferred Inflows of Resources - Deferred inflows related to pension</b>				
	111,571	-	111,571	-
<b>Net Position</b>				
Net investment in capital assets	31,467,351	-	31,467,351	-
Unrestricted	(10,588,318)	520,736	(10,067,582)	761,848
Total net position	<u>\$ 20,879,033</u>	<u>\$ 520,736</u>	<u>\$ 21,399,769</u>	<u>\$ 761,848</u>

**Proprietary Funds**  
**Statement of Revenue, Expenses, and Changes in Net Position**

**Year Ended June 30, 2018**

	Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Rubbish Collection Fund	Total Enterprise Funds	Internal Service Funds
<b>Operating Revenue</b>				
Water and sewer services	\$ 7,919,544	\$ -	\$ 7,919,544	\$ -
Interest and other	44,797	-	44,797	-
Charges for services	-	1,679,566	1,679,566	121,639
Total operating revenue	7,964,341	1,679,566	9,643,907	121,639
<b>Operating Expenses</b>				
Cost of water	1,763,215	-	1,763,215	-
Cost of sewage treatment	2,459,889	-	2,459,889	-
Cost of rubbish disposal	-	1,532,492	1,532,492	-
Supplies	211,027	-	211,027	-
Personnel services	2,065,047	-	2,065,047	-
Other services and charges	1,144,874	-	1,144,874	-
Claims expense	-	-	-	229,641
Depreciation	1,020,629	-	1,020,629	-
Total operating expenses	8,664,681	1,532,492	10,197,173	229,641
<b>Operating (Loss) Income</b>	(700,340)	147,074	(553,266)	(108,002)
<b>Nonoperating Revenue (Expense)</b>				
Investment income	104,815	10,934	115,749	12,769
Interest expense	(162,025)	-	(162,025)	-
Total nonoperating (expense) revenue	(57,210)	10,934	(46,276)	12,769
<b>(Loss) Income - Before capital contributions</b>	(757,550)	158,008	(599,542)	(95,233)
<b>Capital Contributions - Capital grants</b>	11,405	-	11,405	-
<b>Change in Net Position</b>	(746,145)	158,008	(588,137)	(95,233)
<b>Net Position - Beginning of year, as restated (Note 12)</b>	21,625,178	362,728	21,987,906	857,081
<b>Net Position - End of year</b>	<b>\$ 20,879,033</b>	<b>\$ 520,736</b>	<b>\$ 21,399,769</b>	<b>\$ 761,848</b>

**Proprietary Funds  
Statement of Cash Flows**

**Year Ended June 30, 2018**

	Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Rubbish Collection Fund	Total	Internal Service Funds
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 8,616,412	\$ 1,679,566	\$ 10,295,978	\$ 121,639
Payments to suppliers	(4,837,740)	(1,661,458)	(6,499,198)	-
Payments to employees and fringes	(1,924,938)	-	(1,924,938)	-
Claims paid	-	-	-	(156,551)
Other payments	(882,431)	(20)	(882,451)	-
Net cash and cash equivalents provided by (used in) operating activities	971,303	18,088	989,391	(34,912)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Issuance of bonds	2,140,755	-	2,140,755	-
Receipt of capital grants	11,405	-	11,405	-
Purchase of capital assets	(2,461,609)	-	(2,461,609)	-
Principal and interest paid on capital debt	(919,568)	-	(919,568)	-
Net cash and cash equivalents used in capital and related financing activities	(1,229,017)	-	(1,229,017)	-
<b>Cash Flows Provided by Investing Activities -</b>				
Interest received on investments	113,244	11,329	124,573	13,828
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(144,470)	29,417	(115,053)	(21,084)
<b>Cash and Cash Equivalents - Beginning of year</b>	9,230,412	494,168	9,724,580	1,141,815
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 9,085,942</b>	<b>\$ 523,585</b>	<b>\$ 9,609,527</b>	<b>\$ 1,120,731</b>

**Proprietary Funds  
Statement of Cash Flows (Continued)**

**Year Ended June 30, 2018**

	Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Rubbish Collection Fund	Total	Internal Service Funds
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>				
Operating (loss) income	\$ (700,340)	\$ 147,074	\$ (553,266)	\$ (108,002)
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation and amortization	1,020,629	-	1,020,629	-
Changes in assets and liabilities:				
Receivables	(230,360)	(20)	(230,380)	-
Prepaid and other assets	(6,566)	-	(6,566)	-
Net pension or OPEB liability	565,497	-	565,497	-
Accounts payable	322,443	(128,966)	193,477	-
Estimated claims liability	-	-	-	73,090
Total adjustments	<u>1,671,643</u>	<u>(128,986)</u>	<u>1,542,657</u>	<u>73,090</u>
Net cash and cash equivalents provided by (used in) operating activities	<u>\$ 971,303</u>	<u>\$ 18,088</u>	<u>\$ 989,391</u>	<u>\$ (34,912)</u>

**City of Garden City, Michigan**

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Fiduciary Funds  
Statement of Fiduciary Net Position

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**June 30, 2018**

	<u>Agency Funds</u>
<b>Assets - Cash and cash equivalents</b>	<b><u>\$ 1,139,153</u></b>
<b>Liabilities</b>	
Accounts payable	\$ 770,755
Due to other governmental units	<u>368,398</u>
Total liabilities	<b><u>\$ 1,139,153</u></b>

**Note 1 - Nature of Business**

The City of Garden City, Michigan (the "City") 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 legally 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, 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 10 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 11 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 2 - Significant Accounting Policies**

***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. The following is a summary of the significant accounting policies used by the City:

***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, as applicable. 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.

**Note 2 - Significant Accounting Policies (Continued)**

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, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the City's water and sewer function and various other functions. 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, if any, 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 City has spent its resources.

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.

Revenue is not recognized until it is 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, as applicable, 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 it spends certain resources; separate funds allow the City to show the particular expenditures for which specific revenue is used. The various funds are aggregated into four broad fund types:

**Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The City's only major fund is the General Fund, which is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.

**Note 2 - Significant Accounting Policies (Continued)**

**Proprietary Funds**

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City reports the following funds as "major" enterprise funds:

- The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.
- The Rubbish Collection Fund accounts for the activities of solid waste collection in the City.

The City's internal service funds are 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.

The City's 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 City 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.

Furthermore, 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 and Investments**

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

**Receivables and Payables**

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



**Note 2 - Significant Accounting Policies (Continued)**

**Inventories and Prepaid Items**

Inventories are valued at cost, on a first-in, first-out basis. Inventories 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, when applicable.

**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 estimated acquisition value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following useful lives:

	<u>Depreciable Life - 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

**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 and premiums as an "other financing source" and bond discounts as "other financing uses." 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.

**Note 2 - Significant Accounting Policies (Continued)**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position 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 future periods and 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 and Sewer Fund. The deferred outflows of resources related to the defined benefit plan result from four transactions: contributions to the defined benefit pension plan subsequent to the plan's year end through the City's fiscal year, changes in assumptions related to economic and demographic factors and, differences between actual and expected experience.

In addition to liabilities, the statement of net position 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 future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category: deferred inflows of resources related to unavailable revenue and deferred inflows related to pensions. 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. Additionally, the government-wide statements and proprietary fund report deferred inflows related to pension representing the difference between actual and expected experience and difference between projected and actual earnings on investments.

**Net Position Flow Assumption**

The City will sometimes fund outlays for a particular purpose from both restricted 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 City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance Flow Assumptions**

The City will sometimes 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 City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, 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 City 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 City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City 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 remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

**Note 2 - 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 has, by resolution, authorized the finance director to assign fund balance. The City 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 levied on each July 1 and become an enforceable lien at that time; the tax is based 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 2017 property tax revenue was levied and collectible on July 1, 2017 and is recognized as revenue in the year ended June 30, 2018 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2017 taxable valuation of the City totaled \$503 million, on which taxes levied consisted of 13.6410 mills for operating purposes, 0.8200 mills for refuse collection, 0.9856 mills for library operations, 3.4496 mills for public safety, and 3.3186 mills for judgment debt. This resulted in \$6.7 million for operating, \$412,000 for refuse collection, \$482,000 for library operations, \$1.7 million for public safety, and \$1.7 million for judgment debt. A portion of the operating millage is captured for the Downtown Development Authority.

**Pension**

The City offers both pension and retiree healthcare benefits to some 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 the purpose 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 the benefit terms. Investments are reported at fair value.

**Other Postemployment Benefit Costs**

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

**Note 2 - Significant Accounting Policies (Continued)**

**Compensated Absences (Vacation and Sick Leave)**

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. 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 within 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. Generally, the funds that report each employee's compensation (the General Fund and the Water and Sewer Fund, primarily) are used to liquidate the obligations.

**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 revenue of the Water and Sewer Fund and internal service funds is charges to customers for sales and services. The Water and Sewer Fund also recognizes as operation 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.

**Upcoming Accounting Pronouncements**

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. 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, 2020.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. 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, 2021.

**Note 3 - 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 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 13 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 investments are in accordance with statutory authority.

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

***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 \$8,276,140 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.

June 30, 2018

**Note 3 - Deposits and Investments (Continued)**

**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 City had the following investments:

Investment	Carrying Value	Weighted- average Maturity
Commercial paper	\$ 9,924,015	77 days

**Credit Risk**

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City requires commercial paper to have been rated within the top two rating categories by two nationally recognized statistical rating organizations. As of June 30, 2018, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
Money market	\$ 113	N/A	N/A
Money market	4,335,513	N/A	N/A
Money market	17	N/A	N/A
Commercial paper	996,580	A2	S&P
Commercial paper	1,991,280	A1	S&P
Commercial paper	993,870	A2	S&P
Commercial paper	993,480	A2	S&P
Commercial paper	1,490,205	A1	S&P
Commercial paper	992,270	A1	S&P
Commercial paper	1,482,060	A2	S&P
Commercial paper	984,270	A1	S&P
Total	<u>\$ 14,259,658</u>		

**Concentration of Credit Risk**

The City places no limit on the amount it may invest in any one issuer. More than 70 percent of the City's investments is in commercial paper with Morgan Stanley.

June 30, 2018

**Note 4 - 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. A summary of the current year activity and the cumulative shortfall as of June 30, 2018 is as follows:

Shortfall at July 1, 2017		\$	(1,517,616)
Current year permit revenue			541,636
Related expenses - Direct costs	\$	<u>641,337</u>	
Current year shortfall			<u>(99,701)</u>
Cumulative shortfall June 30, 2018		\$	<u><u>(1,617,317)</u></u>

**Note 5 - Capital Assets**

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

**Governmental Activities**

	Balance July 1, 2017	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being depreciated:					
Land and land improvements	\$ 1,514,961	\$ -	\$ -	\$ -	\$ 1,514,961
Construction in progress	<u>795,728</u>	<u>(765,046)</u>	<u>2,173,297</u>	<u>-</u>	<u>2,203,979</u>
Subtotal	2,310,689	(765,046)	2,173,297	-	3,718,940
Capital assets being depreciated:					
Roads and sidewalks	98,962,252	765,046	161,090	-	99,888,388
Buildings and improvements	8,186,539	-	140,985	-	8,327,524
Vehicles	<u>12,235,369</u>	<u>-</u>	<u>443,863</u>	<u>-</u>	<u>12,679,232</u>
Subtotal	119,384,160	765,046	745,938	-	120,895,144
Accumulated depreciation:					
Roads and sidewalks	78,410,551	-	1,793,252	-	80,203,803
Buildings and improvements	3,677,148	-	131,301	-	3,808,449
Vehicles	<u>10,995,030</u>	<u>-</u>	<u>337,182</u>	<u>-</u>	<u>11,332,212</u>
Subtotal	<u>93,082,729</u>	<u>-</u>	<u>2,261,735</u>	<u>-</u>	<u>95,344,464</u>
Net capital assets being depreciated	<u>26,301,431</u>	<u>765,046</u>	<u>(1,515,797)</u>	<u>-</u>	<u>25,550,680</u>
Net governmental activities capital assets	<u>\$ 28,612,120</u>	<u>\$ -</u>	<u>\$ 657,500</u>	<u>\$ -</u>	<u>\$ 29,269,620</u>



June 30, 2018

**Note 5 - Capital Assets (Continued)**

***Business-type Activities***

	Balance July 1, 2017	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being depreciated - Construction in progress	\$ 2,698,465	\$ (396,014)	\$ 2,336,771	\$ -	\$ 4,639,222
Capital assets being depreciated:					
Water and sewer lines	18,034,287	396,014	-	-	18,430,301
Drain rights	28,122,982	-	-	-	28,122,982
Buildings and improvements	11,664	-	-	-	11,664
Vehicles	1,272,342	-	72,659	-	1,345,001
Meters	2,938,989	-	4,523	-	2,943,512
Office furnishings	103,166	-	-	-	103,166
Machinery and equipments	1,368,664	-	28,589	-	1,397,253
Subtotal	51,852,094	396,014	105,771	-	52,353,879
Accumulated depreciation:					
Water and sewer lines	5,141,992	-	186,562	-	5,328,554
Drain rights	10,124,275	-	562,462	-	10,686,737
Buildings and improvements	350	-	233	-	583
Vehicles	1,015,644	-	47,843	-	1,063,487
Meters	1,724,993	-	144,481	-	1,869,474
Office furnishings	72,013	-	6,075	-	78,088
Machinery and equipment	940,058	-	53,906	-	993,964
Subtotal	19,019,325	-	1,001,562	-	20,020,887
Net capital assets being depreciated	32,832,769	396,014	(895,791)	-	32,332,992
Net business-type activity capital assets	\$ 35,531,234	\$ -	\$ 1,440,980	\$ -	\$ 36,972,214

***Component Unit***

	Balance July 1, 2017	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets being depreciated:					
Land improvements	\$ 2,538,296	\$ -	\$ -	\$ -	\$ 2,538,296
Equipment	134,592	-	-	-	134,592
Subtotal	2,672,888	-	-	-	2,672,888
Accumulated depreciation:					
Land improvements	1,009,166	-	52,741	-	1,061,907
Equipment	117,258	-	5,333	-	122,591
Subtotal	1,126,424	-	58,074	-	1,184,498
Net capital assets	\$ 1,546,464	\$ -	\$ (58,074)	\$ -	\$ 1,488,390



June 30, 2018

**Note 5 - Capital Assets (Continued)**

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

Governmental activities:	
General government	\$ 208,445
Public safety	254,040
Public works	1,701,333
Recreation and culture	97,917
	<u>2,261,735</u>
Total governmental activities	<u>\$ 2,261,735</u>
Business-type activities - Water and sewer	\$ 1,001,562

**Construction Commitments**

The City has active construction projects at year end. The projects include the bond issue and the project. At year end, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Sewer line project (State Revolving Fund)	<u>\$ 3,562,901</u>	<u>\$ 1,007,099</u>

**Note 6 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 23,777
Nonmajor governmental funds	Nonmajor governmental funds	<u>26,524</u>
	Total	<u>\$ 50,301</u>

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

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

<u>Paying Fund (Transfer Out)</u>	<u>Receiving Fund (Transfer In)</u>	<u>Amount</u>
General Fund	Other nonmajor governmental funds (2)	\$ 224,522
Other nonmajor governmental funds	Other nonmajor governmental funds (1)(2)	<u>1,036,727</u>
	Total	<u>\$ 1,261,249</u>

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

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

June 30, 2018

**Note 7 - Long-term Debt**

The City issues bonds to provide for the acquisition and construction of major capital facilities. The City has also issued a judgment bond to pay for a settlement. 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 reassessment of the district) are received.

Long-term debt activity for the year ended June 30, 2018 can be summarized as follows:

**Governmental Activities**

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
2004 General Obligation Limited Tax Refunding Bonds							
Amount of issue - \$1,090,000	4.00% - 4.20%	\$2,020 - \$52,520	\$ 206,040	\$ -	\$ (153,520)	\$ 52,520	\$ 52,520
Maturing through 2022							
2005 General Obligation Limited Tax Refunding Bonds							
Amount of issue - \$2,305,000	4.00%	\$235,000 - \$240,000	235,000	-	(235,000)	-	-
Maturing through 2020							
2011 General Obligation Tax Refunding Bonds							
Amount of issue - \$11,190,000	2.50% - 3.25%	\$900,000 - \$1,600,000	4,085,000	-	(1,600,000)	2,485,000	1,585,000
Maturing through 2020							
2018 General Obligation Tax Refunding Bonds							
Amount of issue - \$151,061 (Part of \$1,720,000 Issue)	3.00% - 4.00%	\$878 - \$31,178	-	151,061	-	151,061	-
Maturing through 2027							
2018 Capital Improvement Bond - Amount of issue - \$2,850,000	4.00%	\$435,000 - \$520,000	-	2,850,000	-	2,850,000	-
Maturing through 2024							
Total principal outstanding			4,526,040	3,001,061	(1,988,520)	5,538,581	1,637,520
Unamortized bond premiums			-	143,856	(20,552)	123,304	-
Total bonds and contracts payable:			4,526,040	3,144,917	(2,009,072)	5,661,885	1,637,520
Compensated absences			953,652	370,846	(359,328)	965,170	360,298
Self-insurance claims			285,363	83,549	-	368,912	-
Total governmental activities long-term debt			\$ 5,765,055	\$ 3,599,312	\$ (2,368,400)	\$ 6,995,967	\$ 1,997,818

June 30, 2018

**Note 7 - Long-term Debt (Continued)**

***Business-type Activities***

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
State Revolving Fund Debt							
Amount of issue - \$4,570,000, of which \$3,562,901 has been drawn							
Maturing through 2037	2.50%	\$185,000 - \$300,000	\$ 2,140,755	\$ 1,422,146	\$ -	\$ 3,562,901	\$ 184,999
2004 General Obligation Limited Tax Refunding Bonds - Amount of issue - \$4,295,000							
Maturing through 2022	3.70% - 4.20%	\$7,980 - \$207,480	813,960	-	(606,480)	207,480	207,480
2008 General Obligation Limited Tax Bond -Amount of issue - \$1,610,000							
Maturing through 2028	4.125% - 4.50%	\$75,000 - \$125,000	1,125,000	-	(1,050,000)	75,000	75,000
2011 General Obligation Limited Tax Refunding Bonds - Amount of issue - \$314,121							
Maturing through 2019	2.50% - 3.00%	\$43,880 - \$48,357	88,658	-	(44,775)	43,883	43,884
2018 General Obligation Limited Tax Refunding Bonds - Amount of issue - \$1,568,939 (Part of \$1,720,000 Issue)							
Maturing through 2027	3.00% - 4.00%	\$91,217 - \$323,822	-	1,568,939	-	1,568,939	-
Total principal outstanding			4,168,373	2,991,085	(1,701,255)	5,458,203	511,363
Unamortized bond premiums			-	52,135	(5,214)	46,921	-
Unamortized bond discounts			(23,237)	-	23,237	-	-
Total bonds and contracts payable:			4,145,136	3,043,220	(1,683,232)	5,505,124	511,363
Compensated absences			84,050	50,452	(50,459)	84,043	49,688
Total business-type activities long-term debt			<u>\$ 4,229,186</u>	<u>\$ 3,093,672</u>	<u>\$ (1,733,691)</u>	<u>\$ 5,589,167</u>	<u>\$ 561,051</u>

***Component Unit***

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -							
2011 General Obligation Limited Tax Refunding Bonds							
Amount of issue - \$1,440,681							
Maturing through 2019	2.50% - 3.00%	\$192,912- \$221,643	\$ 406,346	\$ -	\$ (205,225)	\$ 201,121	\$ 201,121

Total interest related to governmental and business-type activities for the year approximated \$147,000 and \$162,000, respectively. Total interest incurred related to component units for the year approximated \$8,000.

**Note 7 - Long-term Debt (Continued)**

**Debt Service Requirements to Maturity**

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
2019	\$ 1,637,520	\$ 183,687	\$ 1,821,207	\$ 511,363	\$ 164,816	\$ 676,179	\$ 201,121	\$ 3,017	\$ 204,138
2020	1,366,178	139,644	1,505,822	513,822	22,627	536,449	-	-	-
2021	475,739	91,556	567,295	514,261	104,953	619,214	-	-	-
2022	495,300	72,135	567,435	514,700	87,336	602,036	-	-	-
2023	493,783	52,353	546,136	296,217	74,155	370,372	-	-	-
2024-2028	1,070,061	45,297	1,115,358	1,594,939	236,781	1,831,720	-	-	-
2029-2033	-	-	-	1,512,901	86,712	1,599,613	-	-	-
<b>Total</b>	<b>\$ 5,538,581</b>	<b>\$ 584,672</b>	<b>\$ 6,123,253</b>	<b>\$ 5,458,203</b>	<b>\$ 777,380</b>	<b>\$ 6,235,583</b>	<b>\$ 201,121</b>	<b>\$ 3,017</b>	<b>\$ 204,138</b>

**Bond Refunding**

During the year, the City issued \$1,777,000 in general obligation bonds with an average interest rate of 3.57 percent. The proceeds of these bonds were used to advance refund of \$1,725,000 of outstanding bonds with an average interest rate of 4.33 percent. The net proceeds of \$1,733,000 (after payment of \$42,000 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the general long-term debt account group. The advance refunding reduced total debt service payments over the next 4.2 years by approximately \$68,000, which represents an economic gain of approximately \$61,000.

**Note 8 - Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefit claims 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 it uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

**Note 8 - Risk Management (Continued)**

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

	General Liability		Workers' Compensation	
	2018	2017	2018	2017
Estimated liability (excess) - Beginning of year	\$ 107,362	\$ (902)	\$ 178,000	\$ 185,000
Estimated claims incurred, including changes in estimates	(21,292)	162,629	368,580	83,968
Claim payments	(114,160)	(54,365)	(168,580)	(90,968)
Estimated (excess) liability - End of year	\$ (28,090)	\$ 107,362	\$ 378,000	\$ 178,000

**Note 9 - Pension Plans**

**Plan Description**

The City of Garden City, Michigan provides a monthly retirement benefit (with alternative lump-sum payment options) to employees who meet the eligibility requirements, including age and years of service. The benefits are provided through the MERS Plan, an agent multiple-employer plan, administered by the Municipal Employees' Retirement System (MERS) of Michigan for both the City and district court employees.

MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at [www.mersofmich.com](http://www.mersofmich.com) or in writing to MERS 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 contributions of 12 percent from City employees of all divisions except for IAFF Fire and IAFF after July 1, 2011 who requires 5 percent and 6 percent, respectively. The court requires contributions of 5 percent from employees.

**Benefits Provided**

MERS Plan - City Employees and MERS Plan - District Court Employees provide 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, department heads, and court and judges.

Retirement benefits for GCSPPA, library, and district court 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 25 and out or a reduced benefit at 55 with 15 years of service. The vesting period is 10 years. Employees are eligible for nonduty 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 9 - Pension Plans (Continued)**

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. The vesting period is 10 years. Employees are eligible for nonduty 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 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. The vesting period is 10 years. Employees are eligible for nonduty 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. The vesting period is 10 years. Employees are eligible for nonduty 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. The vesting period is 10 years. Employees are eligible for nonduty 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. The annual adjustments are one-half of the change in the Consumer Price Index.

Benefit terms 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.

**Employees Covered by Benefit Terms**

The following members were covered by the benefit terms:

	MERS Plan - City	MERS Plan - District Court
Inactive plan members or beneficiaries currently receiving benefits	176	7
Inactive plan members entitled to but not yet receiving benefits	5	-
Active plan members	100	9
Total employees covered by the plan	281	16

**Note 9 - Pension Plans (Continued)**

**Contributions**

State law requires public employers to make pension contributions in accordance with an actuarial valuation. MERS hires an independent actuary to determine the annual contribution. The City's required contribution is determined after consideration of the required contribution rate of employees. For the year ended June 30, 2018, the average monthly contribution for the city and court plans were \$169,669 and \$8,822, respectively. The average monthly contribution from the employees for the city and court plans were \$66,319 and \$1,595, respectively.

**Net Pension Liability**

The net pension liability reported at June 30, 2018 was determined using a measure of the total pension liability and the pension net position as of December 31, 2017. The December 31, 2017 total pension liability was determined by an actuarial valuation performed as of that date.

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

**MERS Plan - City Employees**

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2016</b>	\$ 87,732,884	\$ 55,195,412	\$ 32,537,472
Changes for the year:			
Service cost	1,079,806	-	1,079,806
Interest	6,824,827	-	6,824,827
Differences between expected and actual experience	394,489	-	394,489
Contributions - Employer	-	1,935,837	(1,935,837)
Contributions - Employee	-	790,939	(790,939)
Net investment income	-	7,126,289	(7,126,289)
Benefit payments, including refunds	(5,924,907)	(5,924,907)	-
Administrative expenses	-	(113,105)	113,105
<b>Net changes</b>	<b>2,374,215</b>	<b>3,815,053</b>	<b>(1,440,838)</b>
<b>Balance at December 31, 2017</b>	<b>\$ 90,107,099</b>	<b>\$ 59,010,465</b>	<b>\$ 31,096,634</b>

The plan's fiduciary net position represents 65.5 percent of the total pension liability.

**Note 9 - Pension Plans (Continued)**

**MERS Plan - District Court Employees**

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2016</b>	\$ 2,754,671	\$ 1,712,640	\$ 1,042,031
Changes for the year:			
Service cost	51,388	-	51,388
Interest	215,449	-	215,449
Differences between expected and actual experience	(7,501)	-	(7,501)
Contributions - Employer	-	100,740	(100,740)
Contributions - Employee	-	19,141	(19,141)
Net investment income	-	224,000	(224,000)
Benefit payments, including refunds	(174,504)	(174,504)	-
Administrative expenses	-	(3,547)	3,547
Net changes	84,832	165,830	(80,998)
<b>Balance at December 31, 2017</b>	<u>\$ 2,839,503</u>	<u>\$ 1,878,470</u>	<u>\$ 961,033</u>

The plan's fiduciary net position represents 66.2 percent of the total pension liability.

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

For the year ended June 30, 2018, the City recognized pension expense of \$5,324,869 from all plans.

At June 30, 2018, the City and district court reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 748,515	\$ (6,001)
Changes in assumptions	46,055	-
Net difference between projected and actual earnings on pension plan investments	-	(1,048,277)
Employer contributions to the plan subsequent to the measurement date	1,053,483	-
Total	<u>\$ 1,848,053</u>	<u>\$ (1,054,278)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2019	\$ 953,294
2020	317,715
2021	(942,731)
2022	(587,986)
Total	<u>\$ (259,708)</u>



**Note 9 - Pension Plans (Continued)**

**Actuarial Assumptions**

The total pension liability in each actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	<u>MERS Plan - City and District Court Employees</u>
Inflation	2.50%
Salary increases (including inflation)	3.75%
Investment rate of return (net of investment expenses)	7.75 %
Mortality rates	RP-2014 Mortality Table

Mortality rates were based on the 50 percent male, 50 percent female blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent, RP-2014 Employee Mortality Tables, and RP-2014 Juveniles Mortality Tables.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period from January 1, 2009 through December 31, 2013.

**Discount Rate**

The discount rate used to measure the total pension liability was 8.00 percent, the same as the prior year. 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.

**Investment Rate of Return**

Based on those assumptions, the pension plans' 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, 2017, the measurement date, for each major asset class are summarized in the following tables:

**MERS Plan - City and District Court Employees**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	55.50 %	8.65 %
Global fixed income	18.50	3.76
Real assets	13.50	9.72
Diversifying strategies	12.50	8.50

The preceding target allocation was amended as of January 1, 2017 to reduce the previous allocation to global equity and global fixed income and to increase the allocation of real assets and diversifying strategies. The target allocation as of January 1, 2017 will be 55.5 percent global equity, 18.5 percent global fixed income, 13.5 percent real assets, and 12.5 percent diversifying strategies.

June 30, 2018

**Note 9 - Pension Plans (Continued)**

**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 8.0 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 or 1 percentage point higher than the current rate:

	1 Percent Decrease (7.00%)	Current Discount Rate (8.00%)	1 Percent Increase (9.00%)
Net pension liability of the MERS Plan - City Employees	\$ 41,647,477	\$ 31,096,634	\$ 22,279,059
Net pension liability of the MERS Plan - District Court Employees	1,304,294	961,033	676,396

**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 of resources related to pension, and pension expense, information about the plan's fiduciary net position and additions to/deductions 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 10 - Other Postemployment Benefit Plan**

**Plan Description**

The City provides OPEB for all employees who meet eligibility requirements. The benefits are provided through the City of Garden City Retiree Health Care Plan, a single-employer plan administered by Aquarius Capital. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement.

**Benefits Provided**

The City of Garden City Retiree Health Care Plan provides retiree healthcare benefits for eligible employees and their spouses. Benefits are provided to public safety and general employees in accordance with labor contracts.

**Employees Covered by Benefit Terms**

The following members were covered by the benefit terms:

	City of Garden City Retiree Health Care Plan
Date of member count	June 30, 2018
Inactive plan members or beneficiaries currently receiving benefits	183
Active plan members	71
Total plan members	<u>254</u>

**Contributions**

Retiree healthcare costs are paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment.

June 30, 2018

**Note 10 - Other Postemployment Benefit Plan (Continued)**

**Total OPEB Liability**

The June 30, 2018 total OPEB liability was determined by an actuarial valuation performed as of June 30, 2017, which used updated procedures to roll forward the estimated liability to June 30, 2018.

Changes in the total OPEB liability during the measurement year were as follows:

Changes in Net OPEB Liability	Total OPEB Liability
<b>Balance at July 1, 2017</b>	\$ 127,521,364
Changes for the year:	
Service cost	835,371
Interest	4,396,828
Benefit payments, including refunds	<u>(3,795,435)</u>
Net changes	<u>1,436,764</u>
<b>Balance at June 30, 2018</b>	<u>\$ 128,958,128</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the City recognized OPEB expense of \$5,232,199.

At June 30, 2018, the City had no deferred outflows of resources or deferred inflows of resources related to OPEB due to the fact that the City has no investments in the plan.

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using an inflation assumption of 3.0 percent; assumed salary increases (including inflation) of 3.0 percent; an investment rate of return of 3.5 percent; a healthcare cost trend rate of 9.0 percent for 2018, decreasing 0.5 percent per year to an ultimate rate of 5.0 percent for 2026 and later years; and using the RP-2014 mortality tables. These assumptions were applied to all periods included in the measurement.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.5 percent. The discount rate was based on the average of three 20-year bond indices.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.5 percent, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (2.5%)	Current Discount Rate (3.5%)	1 Percent Increase (4.5%)
Total OPEB liability of the City of Garden City Retiree Health Care Plan	\$ 155,735,193	\$ 128,958,128	\$ 108,896,299

**Note 10 - Other Postemployment Benefit Plan (Continued)**

***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate***

The following presents the total OPEB liability of the City, calculated using the healthcare cost trend rate of 9.0 percent, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease	Current Healthcare Cost Trend Rate	1 Percent Increase
Total OPEB liability of the City of Garden City Retiree Health Care Plan	\$ 105,289,674	\$ 128,958,128	\$ 162,424,251

**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, 2018. 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, MI 48185.

The City is also a member of the Central Wayne County Sanitation Authority (the "Sanitation Authority"). The City appoints one member to the joint venture's governing board, which approves the annual budget. The debt of the joint venture, including the postclosure costs, is being financed by operations and member millage. The postclosure liability will be funded over the next 25 years as the costs come due.

The City contributed \$502,911 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, MI 48134.

**Note 12 - Change in Accounting Principle**

During the current year, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the government-wide statements and the proprietary funds now include a liability for the unfunded portion of the City's retiree healthcare costs. Some of the change in this net OPEB liability will be recognized immediately as part of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to the other postemployment plan footnote for further details in Note 10.

As a result of implementing this statement, the beginning net position of the governmental activities and business-type activities have been restated as follows:

	As Computed Under Old Method	As Reported Under New Method	Effect of Change
Governmental activities	\$ (17,017,973)	\$ (98,265,016)	\$ (81,247,043)
Water Fund	35,735,112	21,625,178	(14,109,934)
Business-type activities	36,097,840	21,987,906	(14,109,934)

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## Required Supplemental Information

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Required Supplemental Information  
Budgetary Comparison Schedule  
General Fund

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 7,430,518	\$ 7,430,518	\$ 7,513,716	\$ 83,198
State and federal sources	4,308,676	4,326,762	4,215,622	(111,140)
Charges for services	705,900	705,900	743,924	38,024
21st District Court	716,000	716,000	826,435	110,435
Licenses and permits	43,000	43,000	33,129	(9,871)
Interest and other	590,399	590,399	717,578	127,179
Cable franchise fees	608,000	608,000	569,341	(38,659)
Total revenue	14,402,493	14,420,579	14,619,745	199,166
<b>Expenditures</b>				
Current services:				
General government:				
Mayor and city council	37,418	37,418	43,459	(6,041)
Boards and commissions	9,450	9,450	8,910	540
Clerk/Treasurer	1,047,428	1,047,428	946,785	100,643
General government services	1,804,416	1,004,416	658,790	345,626
City administration	304,887	304,887	323,575	(18,688)
21st District Court	1,058,351	1,058,351	968,289	90,062
Public safety	12,000	12,000	10,463	1,537
Department of public service	3,083,761	1,083,761	753,624	330,137
Recreation and culture	2,530,743	2,548,829	2,092,888	455,941
Debt service	250,020	250,020	262,329	(12,309)
Total expenditures	10,138,474	7,356,560	6,069,112	1,287,448
<b>Excess of Revenue Over Expenditures</b>	4,264,019	7,064,019	8,550,633	1,486,614
<b>Other Financing (Uses) Sources</b>				
Transfers out	(8,100,284)	(8,100,284)	(7,119,524)	980,760
New debt issued	-	-	151,061	151,061
Payment to bond refunding escrow agent	-	-	(152,183)	(152,183)
Total other financing (uses) sources	(8,100,284)	(8,100,284)	(7,120,646)	979,638
<b>Net Change in Fund Balance</b>	(3,836,265)	(1,036,265)	1,429,987	2,466,252
<b>Fund Balance - Beginning of year</b>	5,773,467	5,773,467	5,773,467	-
<b>Fund Balance - End of year</b>	<u>\$ 1,937,202</u>	<u>\$ 4,737,202</u>	<u>\$ 7,203,454</u>	<u>\$ 2,466,252</u>

Required Supplemental Information  
Schedule of City Pension Contributions

Last Ten Fiscal Years  
Years Ended June 30

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 2,036,022	\$ 1,813,606	\$ 1,757,052	\$ 1,601,381	\$ 1,553,789	\$ 1,327,738	\$ 1,062,459	\$ 1,206,622	\$ 1,457,651	\$ 1,405,731
Contributions in relation to the actuarially determined contribution	2,036,022	1,813,606	1,757,052	1,601,381	1,553,789	1,327,738	1,062,459	1,206,622	1,457,651	1,405,731
<b>Contribution Deficiency</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Employee Payroll</b>	<b>\$ 7,332,391</b>	<b>\$ 7,440,818</b>	<b>\$ 7,570,432</b>	<b>\$ 7,225,238</b>	<b>\$ 5,880,419</b>	<b>\$ 5,682,296</b>	<b>\$ 5,495,028</b>	<b>\$ 5,523,129</b>	<b>\$ 6,034,482</b>	<b>\$ 7,068,760</b>
<b>Contributions as a Percentage of Covered Employee Payroll</b>	<b>27.77 %</b>	<b>24.37 %</b>	<b>23.21 %</b>	<b>22.16 %</b>	<b>26.42 %</b>	<b>23.37 %</b>	<b>19.33 %</b>	<b>21.85 %</b>	<b>24.16 %</b>	<b>19.89 %</b>

Notes to Schedule of City Pension 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	21 years
Asset valuation method	Five-year smoothed
Inflation	2.50 percent
Salary increase	3.75 - 14.75 percent
Investment rate of return	8.0 percent
Retirement age	Varies by bargaining unit
Mortality	RP-2014 Mortality Table
Other information	None

Required Supplemental Information  
Schedule of District Court Pension Contributions

Last Ten Fiscal Years  
Years Ended June 30

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 105,860	\$ 97,536	\$ 85,263	\$ 83,869	\$ 79,916	\$ 50,091	\$ 52,073	\$ 64,523	\$ 42,222	\$ 44,329
Contributions in relation to the actuarially determined contribution	<u>105,860</u>	<u>97,536</u>	<u>85,263</u>	<u>83,869</u>	<u>79,916</u>	<u>50,091</u>	<u>52,073</u>	<u>64,523</u>	<u>42,222</u>	<u>44,329</u>
<b>Contribution Deficiency</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Covered Employee Payroll</b>	\$ 443,160	\$ 443,646	\$ 445,544	\$ 429,582	\$ 322,623	\$ 322,623	\$ 296,253	\$ 266,346	\$ 312,919	\$ 327,865
<b>Contributions as a Percentage of Covered Employee Payroll</b>	23.89 %	21.99 %	19.14 %	19.52 %	24.77 %	15.53 %	17.58 %	24.23 %	13.49 %	13.52 %

Notes to Schedule of District Court Pension 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	21 years
Asset valuation method	Five-year smoothed
Inflation	2.50 percent
Salary increase	3.75 - 14.75 percent
Investment rate of return	8.0 percent
Retirement age	60
Mortality	RP-2014 Mortality Table
Other information	None



## City of Garden City, Michigan

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

	Last Four Fiscal Years			
	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service cost	\$ 1,079,806	\$ 1,074,769	\$ 1,064,238	\$ 1,053,039
Interest	6,824,827	6,567,622	6,272,941	6,094,598
Differences between expected and actual experience	394,489	1,287,026	(371,306)	-
Changes in assumptions	-	-	4,305,506	-
Benefit payments, including refunds	<u>(5,924,907)</u>	<u>(5,508,825)</u>	<u>(4,925,236)</u>	<u>(5,057,759)</u>
<b>Net Change in Total Pension Liability</b>	2,374,215	3,420,592	6,346,143	2,089,878
<b>Total Pension Liability - Beginning of year</b>	<u>87,732,884</u>	<u>84,312,292</u>	<u>77,966,149</u>	<u>75,876,271</u>
<b>Total Pension Liability - End of year</b>	<b><u>\$ 90,107,099</u></b>	<b><u>\$ 87,732,884</u></b>	<b><u>\$ 84,312,292</u></b>	<b><u>\$ 77,966,149</u></b>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 1,935,837	\$ 1,783,229	\$ 1,671,678	\$ 1,575,233
Contributions - Member	790,939	828,143	704,883	824,715
Net investment income (loss)	7,126,289	5,841,587	(812,190)	3,435,202
Administrative expenses	(113,105)	(115,385)	(120,264)	(125,638)
Benefit payments, including refunds	(5,924,907)	(5,508,825)	(4,925,236)	(5,057,759)
Other	<u>-</u>	<u>256</u>	<u>-</u>	<u>-</u>
<b>Net Change in Plan Fiduciary Net Position</b>	3,815,053	2,829,005	(3,481,129)	651,753
<b>Plan Fiduciary Net Position - Beginning of year</b>	<u>55,195,412</u>	<u>52,366,407</u>	<u>55,847,536</u>	<u>55,195,783</u>
<b>Plan Fiduciary Net Position - End of year</b>	<b><u>\$ 59,010,465</u></b>	<b><u>\$ 55,195,412</u></b>	<b><u>\$ 52,366,407</u></b>	<b><u>\$ 55,847,536</u></b>
<b>City's Net Pension Liability - Ending</b>	<b><u>\$ 31,096,634</u></b>	<b><u>\$ 32,537,472</u></b>	<b><u>\$ 31,945,885</u></b>	<b><u>\$ 22,118,613</u></b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	65.49 %	62.91 %	62.11 %	71.63 %
<b>Covered Employee Payroll</b>	\$ 7,332,391	\$ 7,440,818	\$ 7,570,432	\$ 7,225,238
<b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	424.10 %	437.28 %	421.98 %	306.13 %

**City of Garden City, Michigan**

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

	Last Four Fiscal Years			
	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service cost	\$ 51,388	\$ 51,970	\$ 51,028	\$ 59,368
Interest	215,449	203,906	187,611	178,381
Differences between expected and actual experience	(7,501)	52,938	61,880	-
Changes in assumptions	-	-	115,138	-
Benefit payments, including refunds	<u>(174,504)</u>	<u>(153,976)</u>	<u>(128,763)</u>	<u>(114,639)</u>
<b>Net Change in Total Pension Liability</b>	84,832	154,838	286,894	123,110
<b>Total Pension Liability - Beginning of year</b>	<u>2,754,671</u>	<u>2,599,833</u>	<u>2,312,939</u>	<u>2,189,829</u>
<b>Total Pension Liability - End of year</b>	<b><u>\$ 2,839,503</u></b>	<b><u>\$ 2,754,671</u></b>	<b><u>\$ 2,599,833</u></b>	<b><u>\$ 2,312,939</u></b>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 100,740	\$ 93,403	\$ 81,930	\$ 85,762
Contributions - Member	19,141	19,373	17,950	19,017
Net investment income (loss)	224,000	178,418	(24,581)	98,201
Administrative expenses	(3,547)	(3,523)	(3,578)	(3,611)
Benefit payments, including refunds	<u>(174,504)</u>	<u>(153,976)</u>	<u>(128,763)</u>	<u>(114,639)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	165,830	133,695	(57,042)	84,730
<b>Plan Fiduciary Net Position - Beginning of year</b>	<u>1,712,640</u>	<u>1,578,945</u>	<u>1,635,987</u>	<u>1,551,257</u>
<b>Plan Fiduciary Net Position - End of year</b>	<b><u>\$ 1,878,470</u></b>	<b><u>\$ 1,712,640</u></b>	<b><u>\$ 1,578,945</u></b>	<b><u>\$ 1,635,987</u></b>
<b>City's Net Pension Liability - Ending</b>	<b><u>\$ 961,033</u></b>	<b><u>\$ 1,042,031</u></b>	<b><u>\$ 1,020,888</u></b>	<b><u>\$ 676,952</u></b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	66.15 %	62.17 %	60.73 %	70.73 %
<b>Covered Employee Payroll</b>	\$ 443,160	\$ 443,646	\$ 445,544	\$ 429,582
<b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	216.86 %	234.88 %	229.13 %	157.58 %

**City of Garden City, Michigan**

Required Supplemental Information  
Schedule of Changes in the Total OPEB Liability and Related Ratios

	<b>Last One Fiscal Year</b>
	<u>2018</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 835,371
Interest	4,396,828
Benefit payments, including refunds	<u>(3,795,435)</u>
<b>Net Change in Total OPEB Liability</b>	1,436,764
<b>Total OPEB Liability - Beginning of year</b>	<u>127,521,364</u>
<b>Total OPEB Liability - End of year</b>	<b><u><u>\$ 128,958,128</u></u></b>

Required Supplemental Information  
Schedule of OPEB Contributions

Last Ten Fiscal Years  
Years Ended June 30

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 3,795,435	\$ 5,718,760	\$ 7,007,046	\$ 7,007,046	\$ 7,218,107	\$ 7,218,107	\$ 6,470,740	\$ 6,470,740	\$ 3,409,322	\$ 3,409,322
Contributions in relation to the actuarially determined contribution	3,795,435	2,550,614	2,071,320	2,420,712	2,348,853	2,299,303	2,422,791	2,595,581	2,058,556	1,855,086
<b>Contribution Deficiency</b>	<b>\$ -</b>	<b>\$ (3,168,146)</b>	<b>\$ (4,935,726)</b>	<b>\$ (4,586,334)</b>	<b>\$ (4,869,254)</b>	<b>\$ (4,918,804)</b>	<b>\$ (4,047,949)</b>	<b>\$ (3,875,159)</b>	<b>\$ (1,350,766)</b>	<b>\$ (1,554,236)</b>

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30, one year 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 normal as a percentage of payroll
Inflation	3.00 percent
Healthcare cost trend rates	9.00 percent
Salary increase	3.00 percent
Investment rate of return	3.50 percent
Mortality	RP-2014 Mortality Tables
Other information	None

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds, except that operating transfers and debt proceeds 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 ensuring 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 the 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 City Council is included in the required supplemental information. This comparison includes expenditure budget overruns. A comparison of the actual results of operations in 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.

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Other Financing Uses</u>
Amounts per operating statement	\$ 17,646,059	\$ 15,911,303	\$ (225,644)
205 - Public safety	(2,476,156)	(9,200,854)	(6,745,300)
249 - Building department	(541,636)	(641,337)	(99,702)
736 - Retiree health care	(8,522)	-	(50,000)
Amounts per budget statement	<u>\$ 14,619,745</u>	<u>\$ 6,069,112</u>	<u>\$ (7,120,646)</u>

Excess of expenditures over appropriations in budgeted funds - During the year, the City of Garden City, Michigan incurred the following expenditure in excess of the amount budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Debt service	\$ 250,020	\$ 262,329	\$ (12,309)
Mayor and city council	37,418	43,459	(6,041)
City administration	304,887	323,575	(18,688)

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## Other Supplemental Information

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# City of Garden City, Michigan

	Special Revenue Funds						
	Major Roads Fund	Local Street Fund	233 - 911	248 - Community Development Block Grant	296 - Rehabilitation Revolving	264 - Police Drug Confiscations	235 - Franchise Peg Fees
<b>Assets</b>							
Cash and investments	\$ 1,297,868	\$ 1,803,338	\$ 255,073	\$ 403	\$ 40,028	\$ 70,445	\$ 15,288
Receivables	69,413	29,378	45,388	-	1,300	115	18,407
Due from other funds	-	-	-	26,524	-	-	-
Prepaid expenses and other assets	-	-	-	-	-	-	573
Due from other governmental units	298,363	120,700	-	-	-	-	-
Restricted assets	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,665,644</b>	<b>\$ 1,953,416</b>	<b>\$ 300,461</b>	<b>\$ 26,927</b>	<b>\$ 41,328</b>	<b>\$ 70,560</b>	<b>\$ 34,268</b>
<b>Liabilities</b>							
Accounts payable	\$ 53,609	\$ 22,196	\$ -	\$ 1,103	\$ -	\$ 45	\$ 24
Due to other governmental units	-	-	-	1,485	-	-	-
Due to other funds	-	-	-	23,777	26,524	-	-
Accrued liabilities and other	-	-	-	-	-	-	4,067
<b>Total liabilities</b>	<b>53,609</b>	<b>22,196</b>	<b>-</b>	<b>26,365</b>	<b>26,524</b>	<b>45</b>	<b>4,091</b>
<b>Deferred Inflows of Resources -</b>							
Unavailable revenue	66,819	26,439	-	-	-	-	-
<b>Fund Balances</b>							
Nonspendable	-	-	-	-	-	-	573
Restricted:							
Roads	1,545,216	1,904,781	-	-	-	-	-
Public safety	-	-	300,461	-	-	70,515	-
Debt service	-	-	-	-	-	-	-
Community development	-	-	-	562	14,804	-	-
Capital projects	-	-	-	-	-	-	-
PEG fees	-	-	-	-	-	-	29,604
Library	-	-	-	-	-	-	-
Assigned:							
Capital projects	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>1,545,216</b>	<b>1,904,781</b>	<b>300,461</b>	<b>562</b>	<b>14,804</b>	<b>70,515</b>	<b>30,177</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,665,644</b>	<b>\$ 1,953,416</b>	<b>\$ 300,461</b>	<b>\$ 26,927</b>	<b>\$ 41,328</b>	<b>\$ 70,560</b>	<b>\$ 34,268</b>

Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2018

Special Revenue Funds		Debt Service Funds		Capital Project Funds							
219 - Street Lighting Assessment	790 - Library	301 - Debt Retirement	401 - Capital Projects	436 - District Court Building Fund	824 - Sidewalk 2015	852 - Maplewood Road	853 - Maplewood II	850 - Florence Reconstruction	Total		
\$ 35,916	\$ 529,851	\$ 34,435	\$ 249,622	\$ 449,122	\$ 65,694	\$ -	\$ 1,254	\$ 7,731	\$ 4,856,068		
-	3,996	7,823	3,530	3,925	110,343	-	2	15,655	309,275		
-	-	-	-	-	-	-	-	-	26,524		
-	573	-	21,984	-	-	-	-	-	23,130		
-	-	-	-	-	-	-	-	-	419,063		
-	-	-	1,819,746	-	-	-	-	-	1,819,746		
<b>\$ 35,916</b>	<b>\$ 534,420</b>	<b>\$ 42,258</b>	<b>\$ 2,094,882</b>	<b>\$ 453,047</b>	<b>\$ 176,037</b>	<b>\$ -</b>	<b>\$ 1,256</b>	<b>\$ 23,386</b>	<b>\$ 7,453,806</b>		
\$ 35,500	\$ 6,526	\$ -	\$ 102,705	\$ -	\$ 1	\$ -	\$ 1,242	\$ -	\$ 222,951		
-	-	-	-	-	-	-	-	-	1,485		
-	-	-	-	-	-	-	-	-	50,301		
-	7,312	131	-	-	-	-	-	-	11,510		
35,500	13,838	131	102,705	-	1	-	1,242	-	286,247		
-	2,447	7,777	-	-	110,227	-	-	15,642	229,351		
-	573	-	21,984	-	-	-	-	-	23,130		
-	-	-	-	-	-	-	-	-	3,449,997		
-	-	-	-	-	-	-	-	-	370,976		
-	-	34,350	-	-	-	-	-	-	34,350		
-	-	-	-	-	-	-	-	-	15,366		
-	-	-	1,819,746	-	65,809	-	14	7,744	1,893,313		
-	-	-	-	-	-	-	-	-	29,604		
-	517,562	-	-	-	-	-	-	-	517,562		
-	-	-	150,447	453,047	-	-	-	-	603,494		
416	-	-	-	-	-	-	-	-	416		
416	518,135	34,350	1,992,177	453,047	65,809	-	14	7,744	6,938,208		
<b>\$ 35,916</b>	<b>\$ 534,420</b>	<b>\$ 42,258</b>	<b>\$ 2,094,882</b>	<b>\$ 453,047</b>	<b>\$ 176,037</b>	<b>\$ -</b>	<b>\$ 1,256</b>	<b>\$ 23,386</b>	<b>\$ 7,453,806</b>		



# City of Garden City, Michigan

	Special Revenue Funds						
	Major Roads Fund	Local Street Fund	233 - 911	248 - Community Development Block Grant	296 - Rehabilitation Revolving	264 - Police Drug Confiscations	235 - Franchise Peg Fees
<b>Revenue</b>							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	24,052	12,160	-	-	-	-	-
State and federal sources	1,744,202	884,783	-	111,122	-	-	3,800
Charges for services	-	87,181	-	-	-	-	-
Interest and other	17,554	17,034	155,452	-	-	736	78,143
<b>Total revenue</b>	<b>1,785,808</b>	<b>1,001,158</b>	<b>155,452</b>	<b>111,122</b>	<b>-</b>	<b>736</b>	<b>81,943</b>
<b>Expenditures</b>							
Current services:							
Public safety	-	-	140,500	-	-	6,351	-
Public service	1,803,093	1,096,379	-	-	-	-	-
Community and economic development	-	-	-	100,390	12,936	-	188,386
Recreation and culture	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>1,803,093</b>	<b>1,096,379</b>	<b>140,500</b>	<b>100,390</b>	<b>12,936</b>	<b>6,351</b>	<b>188,386</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(17,285)</b>	<b>(95,221)</b>	<b>14,952</b>	<b>10,732</b>	<b>(12,936)</b>	<b>(5,615)</b>	<b>(106,443)</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	974,727	-	-	-	-	46,014
Transfers out	(851,406)	-	-	-	-	-	-
New debt issued	-	-	-	-	-	-	-
<b>Total other financing (uses) sources</b>	<b>(851,406)</b>	<b>974,727</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,014</b>
<b>Net Change in Fund Balances</b>	<b>(868,691)</b>	<b>879,506</b>	<b>14,952</b>	<b>10,732</b>	<b>(12,936)</b>	<b>(5,615)</b>	<b>(60,429)</b>
<b>Fund Balances - Beginning of year</b>	<b>2,413,907</b>	<b>1,025,275</b>	<b>285,509</b>	<b>(10,170)</b>	<b>27,740</b>	<b>76,130</b>	<b>90,606</b>
<b>Fund Balances - End of year</b>	<b>\$ 1,545,216</b>	<b>\$ 1,904,781</b>	<b>\$ 300,461</b>	<b>\$ 562</b>	<b>\$ 14,804</b>	<b>\$ 70,515</b>	<b>\$ 30,177</b>

Other Supplemental Information  
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds

**Year Ended June 30, 2018**

Special Revenue Funds		Debt Service Funds		Capital Project Funds						
219 - Street Lighting Assessment	790 - Library	301 - Debt Retirement	401 - Capital Projects	436 - District Court Building Fund	824 - Sidewalk Program 2015	852 - Maplewood Road	853 - Maplewood II	850 - Florence Reconstruction	Total	
\$ -	\$ 481,473	\$ 1,679,471	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,160,944	
353,359	-	-	-	-	70,206	-	-	7,659	467,436	
-	20,701	8,405	-	-	-	-	-	-	2,773,013	
-	-	-	-	-	-	-	-	-	87,181	
-	48,108	7,054	13,168	42,116	809	-	14	84	380,272	
<u>353,359</u>	<u>550,282</u>	<u>1,694,930</u>	<u>13,168</u>	<u>42,116</u>	<u>71,015</u>	<u>-</u>	<u>14</u>	<u>7,743</u>	<u>5,868,846</u>	
-	-	-	-	-	-	-	-	-	146,851	
-	-	-	-	-	5,164	-	-	-	2,904,636	
457,367	-	-	-	-	-	-	-	-	759,079	
-	478,181	-	-	-	-	-	-	-	478,181	
-	-	-	1,114,907	-	-	-	-	-	1,114,907	
-	-	1,600,000	-	-	-	-	-	-	1,600,000	
-	-	125,050	-	-	-	-	-	-	125,050	
<u>457,367</u>	<u>478,181</u>	<u>1,725,050</u>	<u>1,114,907</u>	<u>-</u>	<u>5,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,128,704</u>	
(104,008)	72,101	(30,120)	(1,101,739)	42,116	65,851	-	14	7,743	(1,259,858)	
104,008	-	-	136,500	-	-	-	-	-	1,261,249	
-	-	-	-	(62,000)	(113,839)	(98)	(93)	(9,291)	(1,036,727)	
-	-	-	2,921,865	-	-	-	-	-	2,921,865	
<u>104,008</u>	<u>-</u>	<u>-</u>	<u>3,058,365</u>	<u>(62,000)</u>	<u>(113,839)</u>	<u>(98)</u>	<u>(93)</u>	<u>(9,291)</u>	<u>3,146,387</u>	
-	72,101	(30,120)	1,956,626	(19,884)	(47,988)	(98)	(79)	(1,548)	1,886,529	
416	446,034	64,470	35,551	472,931	113,797	98	93	9,292	5,051,679	
<u>\$ 416</u>	<u>\$ 518,135</u>	<u>\$ 34,350</u>	<u>\$ 1,992,177</u>	<u>\$ 453,047</u>	<u>\$ 65,809</u>	<u>\$ -</u>	<u>\$ 14</u>	<u>\$ 7,744</u>	<u>\$ 6,938,208</u>	

**City of Garden City, Michigan**

**Other Supplemental Information  
Balance Sheet - Modified Accrual Basis**

**June 30, 2018**

	<u>Downtown Development Authority</u>
<b>Assets</b>	
Cash and investments	\$ 126,380
Receivables - Net	224,085
Prepaid expenses and other assets	<u>900</u>
Total assets	<b><u>\$ 351,365</u></b>
<b>Liabilities</b>	
Accounts payable	\$ 1,787
Accrued liabilities and other	<u>2,619</u>
Total liabilities	4,406
<b>Deferred Inflows of Resources - Unavailable revenue</b>	223,793
<b>Fund Balances</b>	
Nonspendable	900
Unassigned	<u>122,266</u>
Total fund balances	<u>123,166</u>
Total liabilities, deferred inflows of resources, and fund balances	<b><u>\$ 351,365</u></b>

**City of Garden City, Michigan**

Other Supplemental Information  
Statement of Revenue, Expenditures, and Changes in Fund Balance  
Modified Accrual Basis

**Year Ended June 30, 2018**

	<u>Downtown Development Authority</u>
<b>Revenue</b>	
Property taxes	\$ 398,308
State and federal sources	45,109
Interest and other	<u>61,096</u>
Total revenue	504,513
<b>Expenditures</b>	
Current services - Community maintenance, development, and other	323,530
Debt service	<u>214,029</u>
Total expenditures	<u>537,559</u>
<b>Excess of Expenditures Over Revenue</b>	(33,046)
<b>Fund Balances</b> - Beginning of year	<u>156,212</u>
<b>Fund Balances</b> - End of year	<u><u>\$ 123,166</u></u>