
City of Garden City, Michigan

**Financial Report
with Supplemental Information
June 30, 2019**

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Independent Auditor's Report

To the City Council
City of Garden City, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Garden City, Michigan (the "City") as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the City of Garden City, Michigan's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Garden City, Michigan as of June 30, 2019 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the City Council
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 25, 2019

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, 2019.

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 \$5,255,000, primarily due to the increasing unfunded liability associated with retiree health care and pensions.
- 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 continuing healthy housing market.
- A total of 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 (OPEB)).

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 Downtown Development Authority for which the City is financially accountable. Financial information for this component unit 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. Because 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)

The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 26,069,681	\$ 17,467,899	\$ 11,520,028	\$ 13,079,758	\$ 37,589,709	\$ 30,547,657
Capital assets	33,509,435	29,269,620	38,018,424	36,972,214	71,527,859	66,241,834
Total assets	59,579,116	46,737,519	49,538,452	50,051,972	109,117,568	96,789,491
Deferred Outflows of Resources						
	9,279,546	1,669,109	1,209,097	189,612	10,488,643	1,858,721
Liabilities						
Current liabilities	1,627,728	987,172	906,300	1,131,314	2,534,028	2,118,486
Noncurrent liabilities	172,084,588	146,079,851	27,746,695	27,598,930	199,831,283	173,678,781
Total liabilities	173,712,316	147,067,023	28,652,995	28,730,244	202,365,311	175,797,267
Deferred Inflows of Resources						
	4,501	942,707	-	111,571	4,501	1,054,278
Net Position						
Net investment in capital assets	27,708,101	27,922,887	32,146,685	31,467,351	59,854,786	59,390,238
Restricted	4,721,044	6,541,665	-	-	4,721,044	6,541,665
Unrestricted	(137,287,300)	(134,067,654)	(10,052,131)	(10,067,582)	(147,339,431)	144,135,236
Total net position	<u>\$(104,858,155)</u>	<u>\$(99,603,102)</u>	<u>\$ 22,094,554</u>	<u>\$ 21,399,769</u>	<u>\$(82,763,601)</u>	<u>\$(78,203,333)</u>

City of Garden City, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue						
Program revenue:						
Charges for services	\$ 3,824,144	\$ 3,723,385	\$ 9,341,835	\$ 9,643,907	\$ 13,165,979	\$ 13,367,292
Operating grants	4,416,211	4,424,529	-	-	4,416,211	4,424,529
Capital grants	53,185	75,600	-	11,405	53,185	87,005
General revenue:						
Property taxes	11,612,780	11,340,968	-	-	11,612,780	11,340,968
State-shared revenue	3,119,309	3,028,229	-	-	3,119,309	3,028,229
Investment earnings	511,063	307,226	188,864	115,749	699,927	422,975
Other revenue:						
Cable franchise fees	483,197	496,135	-	-	483,197	496,135
Sale of capital assets	-	6,300	-	-	-	6,300
Other miscellaneous income	78,670	92,606	-	-	78,670	92,606
Total revenue	24,098,559	23,494,978	9,530,699	9,771,061	33,629,258	33,266,039
Expenses						
General government	3,394,603	2,234,686	-	-	3,394,603	2,234,686
21st District Court	1,227,760	1,079,739	-	-	1,227,760	1,079,739
Public safety	14,535,995	11,911,861	-	-	14,535,995	11,911,861
Public service	5,993,994	5,712,875	-	-	5,993,994	5,712,875
Community and economic development	570,777	585,870	-	-	570,777	585,870
Recreation and culture	3,353,042	3,088,382	-	-	3,353,042	3,088,382
Debt service	277,441	219,651	-	-	277,441	219,651
Water and sewer	-	-	7,294,690	8,826,706	7,294,690	8,826,706
Rubbish disposal	-	-	1,541,224	1,532,492	1,541,224	1,532,492
Total expenses	29,353,612	24,833,064	8,835,914	10,359,198	38,189,526	35,192,262
Change in Net Position	(5,255,053)	(1,338,086)	694,785	(588,137)	(4,560,268)	(1,926,223)
Net Position - Beginning of year	(99,603,102)	(98,265,016)	21,399,769	21,987,906	(78,203,333)	(76,277,110)
Net Position - End of year	<u>\$(104,858,155)</u>	<u>\$(99,603,102)</u>	<u>\$ 22,094,554</u>	<u>\$ 21,399,769</u>	<u>\$(82,763,601)</u>	<u>\$(78,203,333)</u>

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 \$293,000. The majority of the budget increase covered transfers to police and fire, insurances, and additional DPS personnel costs. Other appropriations were made to acknowledge additional interest revenue, other new revenue sources, and reductions in bond payments. The General Fund's fund balance increased by \$79,980 during the year ended June 30, 2019.

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.

In August 2018, the voters of Garden City passed a five-year road bond millage beginning in the summer of 2019. In May 2019, a \$10,000,000 bond was secured, and construction began on various roads throughout the City, which included removal and replacement of concrete, concrete sectioning, asphalt milling and replacement, joint and crack sealing, and chip sealing.

Economic Factors and Next Year's Budgets and Rates

The City's budget for fiscal year 2019-2020 shows a nominal increase in taxable values. We expect this trend to continue. State-shared revenue is also showing a small decrease. The City continues to receive grant revenue, which complements its economic strategies. Development within the City continues to increase.

Several funds that were previously budgeted separately have been consolidated within the General Fund. These funds include Public Safety, Street Lighting, 911 Services, Cable PEG Fees, and Building and Planning. The activity from these funds is still being reported as separate departments within General Fund but will no longer be considered special revenue funds.

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 have been completed. Major park improvements have been planned and will begin in the spring of 2020.

Water and sewer rates were increased to "pass on" supplier cost increases to end users in the fiscal year ending June 30, 2020. 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 treasurer.

June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 13,988,694	\$ 8,675,477	\$ 22,664,171	\$ 111,562
Receivables:				
Property taxes receivable	203,232	-	203,232	-
Special assessments receivable	154,337	-	154,337	67,264
Accrued interest receivable	30,162	8,055	38,217	103
Customer receivables	-	2,778,258	2,778,258	-
Other receivables	452,413	-	452,413	-
Prepaid expenses and other assets	441,476	51,964	493,440	900
Due from other governmental units	1,031,891	6,274	1,038,165	-
Restricted assets - Unspent bond proceeds	9,767,476	-	9,767,476	-
Capital assets: (Note 5)				
Assets not subject to depreciation	5,492,062	5,093,779	10,585,841	-
Assets subject to depreciation - Net	28,017,373	32,924,645	60,942,018	1,465,036
Total assets	59,579,116	49,538,452	109,117,568	1,644,865
Deferred Outflows of Resources				
Deferred outflows related to pension (Note 9)	5,534,485	655,849	6,190,334	-
Deferred outflows related to OPEB (Note 10)	3,745,061	553,248	4,298,309	-
Total deferred outflows of resources	9,279,546	1,209,097	10,488,643	-
Liabilities				
Accounts payable	881,229	818,478	1,699,707	3,350
Due to other governmental units	1,485	-	1,485	-
Accrued liabilities and other	686,650	87,822	774,472	3,036
Unearned revenue	58,364	-	58,364	-
Noncurrent liabilities:				
Due within one year:				
Payable from restricted assets	1,700,477	-	1,700,477	-
Compensated absences (Note 7)	355,140	50,718	405,858	-
Current portion of long-term debt (Note 7)	4,176,178	513,822	4,690,000	-
Due in more than one year:				
Compensated absences	563,433	36,682	600,115	-
Net pension liability (Note 9)	36,092,083	4,333,544	40,425,627	-
Long-term debt (Note 7)	11,047,037	5,357,917	16,404,954	-
Total OPEB liability (Note 10)	118,150,240	17,454,012	135,604,252	-
Total liabilities	173,712,316	28,652,995	202,365,311	6,386
Deferred Inflows of Resources - Deferred inflows related to pension (Note 9)	4,501	-	4,501	-
Net Position				
Net investment in capital assets	27,708,101	32,146,685	59,854,786	1,465,036
Restricted:				
Streets and highways	3,447,959	-	3,447,959	-
Debt service	57,244	-	57,244	-
Capital projects	146,275	-	146,275	-
Police grant activities	68,918	-	68,918	-
Franchise PEG fees	7,560	-	7,560	-
911	309,404	-	309,404	-
Community development	92,531	-	92,531	-
Library	591,153	-	591,153	-
Unrestricted	(137,287,300)	(10,052,131)	(147,339,431)	173,443
Total net position	\$ (104,858,155)	\$ 22,094,554	\$ (82,763,601)	\$ 1,638,479

City of Garden City, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 3,394,603	\$ 513,838	\$ 32,500	\$ -
21st District Court	1,227,760	845,231	85,511	-
Public safety	14,535,995	769,480	353,853	-
Public works	5,993,994	655,318	3,007,470	53,185
Community and economic development	570,777	508,404	256,373	-
Recreation and culture	3,353,042	531,873	680,504	-
Interest on long-term debt	277,441	-	-	-
Total governmental activities	29,353,612	3,824,144	4,416,211	53,185
Business-type activities:				
Water and Sewer Fund	7,294,690	7,665,532	-	-
Rubbish Collection Fund	1,541,224	1,676,303	-	-
Total business-type activities	8,835,914	9,341,835	-	-
Total primary government	\$ 38,189,526	\$ 13,165,979	\$ 4,416,211	\$ 53,185
Component units	\$ 481,632	\$ -	\$ -	\$ -

General revenue:
 Property taxes
 State-shared revenue
 Investment income
 Cable franchise fees
 Other miscellaneous income
 Total general revenue

Change in Net Position
Net Position - Beginning of year
Net Position - End of year

Statement of Activities

Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (2,848,265)	\$ -	\$ (2,848,265)	\$ -
(297,018)	-	(297,018)	-
(13,412,662)	-	(13,412,662)	-
(2,278,021)	-	(2,278,021)	-
194,000	-	194,000	-
(2,140,665)	-	(2,140,665)	-
(277,441)	-	(277,441)	-
(21,060,072)	-	(21,060,072)	-
-	370,842	370,842	-
-	135,079	135,079	-
-	505,921	505,921	-
(21,060,072)	505,921	(20,554,151)	-
-	-	-	(481,632)
11,612,780	-	11,612,780	382,298
3,119,309	-	3,119,309	62,750
511,063	188,864	699,927	1,747
483,197	-	483,197	-
78,670	-	78,670	39,400
15,805,019	188,864	15,993,883	486,195
(5,255,053)	694,785	(4,560,268)	4,563
(99,603,102)	21,399,769	(78,203,333)	1,633,916
<u>\$(104,858,155)</u>	<u>\$ 22,094,554</u>	<u>\$ (82,763,601)</u>	<u>\$ 1,638,479</u>

City of Garden City, Michigan

**Governmental Funds
Balance Sheet**

June 30, 2019

	General Fund	Capital Project - Roads Bond Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 7,735,161	\$ -	\$ 5,126,148	\$ 12,861,309
Receivables	574,633	8,579	255,886	839,098
Due from other funds	23,777	-	13,588	37,365
Prepaid expenses and other assets	378,826	-	37,150	415,976
Due from other governmental units	577,142	-	454,749	1,031,891
Restricted assets	-	9,141,457	626,019	9,767,476
	<u>\$ 9,289,539</u>	<u>\$ 9,150,036</u>	<u>\$ 6,513,540</u>	<u>\$ 24,953,115</u>
Total assets				
Liabilities				
Accounts payable	\$ 414,617	\$ -	\$ 421,455	\$ 836,072
Due to other governmental units	-	-	1,485	1,485
Due to other funds	-	-	37,365	37,365
Accrued liabilities and other	643,493	-	15,892	659,385
Unearned revenue	-	-	58,364	58,364
Payable from restricted assets	-	1,521,071	179,406	1,700,477
	<u>1,058,110</u>	<u>1,521,071</u>	<u>713,967</u>	<u>3,293,148</u>
Total liabilities				
Deferred Inflows of Resources - Unavailable revenue	79,025	-	155,337	234,362
Fund Balances				
Nonspendable - Prepaids	378,826	-	37,150	415,976
Restricted:				
Roads	-	-	3,380,579	3,380,579
Public safety	-	-	378,322	378,322
Debt service	-	-	51,772	51,772
Community development	-	-	92,531	92,531
Capital projects	-	7,628,965	503,525	8,132,490
PEG fees	-	-	5,760	5,760
Library	-	-	589,452	589,452
Assigned - Capital projects and street lighting	-	-	605,145	605,145
Unassigned	7,773,578	-	-	7,773,578
	<u>8,152,404</u>	<u>7,628,965</u>	<u>5,644,236</u>	<u>21,425,605</u>
Total fund balances				
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,289,539</u>	<u>\$ 9,150,036</u>	<u>\$ 6,513,540</u>	<u>\$ 24,953,115</u>

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2019

Fund Balances Reported in Governmental Funds	\$ 21,425,605
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	33,509,435
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	234,362
Certain pension and contributions and changes in pension plan net position and changes in OPEB plan assumptions are reported as deferred outflows of resources in the statement of net position, but are reported as expenses in the governmental funds	9,275,045
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(14,768,333)
Accrued interest is not due and payable in the current period and is not reported in the funds	(27,265)
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	(918,573)
Pension benefits	(36,092,083)
Other postemployment benefits	(118,150,240)
Internal service funds are included as part of governmental activities	<u>653,892</u>
Net Position of Governmental Activities	<u>\$ (104,858,155)</u>

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2019

	General Fund	Capital Project Fund - Roads Bond	Nonmajor Funds	Total Governmental Funds
Revenue				
Property taxes	\$ 9,479,639	\$ -	\$ 2,149,501	\$ 11,629,140
Special assessments	-	-	442,467	442,467
State and federal sources:				
Federal grants	316,176	-	202,109	518,285
State sources	3,845,727	-	2,972,575	6,818,302
Charges for services	1,908,796	-	87,356	1,996,152
21st District Court	809,973	-	-	809,973
Licenses and permits	48,952	-	-	48,952
Interest and other	889,156	43,520	419,634	1,352,310
Cable franchise fees	558,291	-	-	558,291
Total revenue	17,856,710	43,520	6,273,642	24,173,872
Expenditures				
Current services:				
General government	2,563,082	-	-	2,563,082
21st District Court	948,807	-	20,261	969,068
Public safety	10,160,372	-	162,743	10,323,115
Public service	1,017,139	-	3,246,946	4,264,085
Community and economic development	698,663	-	696,034	1,394,697
Recreation and culture	2,115,050	-	487,402	2,602,452
Capital outlay	-	3,067,939	1,409,365	4,477,304
Debt service	156,428	124,091	1,662,052	1,942,571
Total expenditures	17,659,541	3,192,030	7,684,803	28,536,374
Excess of Revenue Over (Under) Expenditures	197,169	(3,148,510)	(1,411,161)	(4,362,502)
Other Financing Sources (Uses)				
Transfers in	72,000	-	1,197,989	1,269,989
Transfers out	(189,189)	-	(1,080,800)	(1,269,989)
New debt issued	-	10,000,000	-	10,000,000
Debt premium	-	777,475	-	777,475
Total other financing (uses) sources	(117,189)	10,777,475	117,189	10,777,475
Net Change in Fund Balances	79,980	7,628,965	(1,293,972)	6,414,973
Fund Balances - Beginning of year	8,072,424	-	6,938,208	15,010,632
Fund Balances - End of year	\$ 8,152,404	\$ 7,628,965	\$ 5,644,236	\$ 21,425,605

Governmental Funds

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

Year Ended June 30, 2019

Net Change in Fund Balances Reported in Governmental Funds	\$	6,414,973
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		6,665,581
Depreciation expense		(2,425,766)
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		(48,505)
Deferred charges on refunding are an expenditure in the governmental funds but are capitalized and amortized over the term of the bond		(10,407)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)		1,637,520
Issuing debt provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position		(10,777,475)
Interest expense is recognized in the government-wide statements as it accrues		7,611
Change in personal property tax revenue		(13,493)
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		46,597
Bond premium is not recorded in the funds		33,508
Change in net other postemployment benefits liability is recorded when incurred in the statement of activities		(4,017,021)
Change in net pension liability and related deferrals are recorded when incurred in the statement of activities		(2,660,220)
Internal service funds are included as part of governmental activities		(107,956)
Change in Net Position of Governmental Activities	\$	<u>(5,255,053)</u>

Proprietary Funds
Statement of Net Position

June 30, 2019

	Enterprise Funds			Governmental
	Water and Sewer Fund	Rubbish Collection Fund	Total Enterprise Funds	Internal Service Funds
Assets				
Current assets:				
Cash and investments	\$ 7,994,115	\$ 681,362	\$ 8,675,477	\$ 1,127,385
Receivables - Net:				
Accrued interest receivable	7,420	635	8,055	1,046
Customer receivables	2,778,258	-	2,778,258	-
Prepaid expenses and other assets	51,964	-	51,964	25,500
Due from other governmental units	6,274	-	6,274	-
Total current assets	10,838,031	681,997	11,520,028	1,153,931
Noncurrent assets:				
Capital assets: (Note 5)				
Assets not subject to depreciation	5,093,779	-	5,093,779	-
Assets subject to depreciation - Net	32,924,645	-	32,924,645	-
Total assets	48,856,455	681,997	49,538,452	1,153,931
Deferred Outflows of Resources				
Deferred outflows related to pension (Note 9)	655,849	-	655,849	-
Deferred outflows related to OPEB (Note 10)	553,248	-	553,248	-
Total deferred outflows of resources	1,209,097	-	1,209,097	-
Liabilities				
Current liabilities:				
Accounts payable	814,620	3,858	818,478	45,157
Accrued liabilities and other	87,822	-	87,822	-
Compensated absences	50,718	-	50,718	-
Current portion of long-term debt (Note 7)	513,822	-	513,822	-
Total current liabilities	1,466,982	3,858	1,470,840	45,157
Noncurrent liabilities:				
Compensated absences	36,682	-	36,682	-
Net pension liability (Note 9)	4,333,544	-	4,333,544	-
Long-term debt (Note 7)	5,357,917	-	5,357,917	454,882
Total OPEB liability (Note 10)	17,454,012	-	17,454,012	-
Total noncurrent liabilities	27,182,155	-	27,182,155	454,882
Total liabilities	28,649,137	3,858	28,652,995	500,039
Net Position				
Net investment in capital assets	32,146,685	-	32,146,685	-
Unrestricted	(10,730,270)	678,139	(10,052,131)	653,892
Total net position	<u>\$ 21,416,415</u>	<u>\$ 678,139</u>	<u>\$ 22,094,554</u>	<u>\$ 653,892</u>

City of Garden City, Michigan

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

Year Ended June 30, 2019

	Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Rubbish Collection Fund	Total Enterprise Funds	Internal Service Funds
Operating Revenue				
Water and sewer services	\$ 7,603,561	\$ -	\$ 7,603,561	\$ -
Interest and other	61,971	-	61,971	-
Charges for services	-	1,676,303	1,676,303	129,060
Total operating revenue	7,665,532	1,676,303	9,341,835	129,060
Operating Expenses				
Cost of water	1,719,860	-	1,719,860	-
Cost of sewage treatment	2,459,889	-	2,459,889	-
Cost of rubbish disposal	-	1,541,224	1,541,224	-
Supplies	223,097	-	223,097	-
Personnel services	528,543	-	528,543	-
Other services and charges	1,185,799	-	1,185,799	-
Claims expense	-	-	-	260,341
Depreciation	1,030,805	-	1,030,805	-
Total operating expenses	7,147,993	1,541,224	8,689,217	260,341
Operating Income (Loss)	517,539	135,079	652,618	(131,281)
Nonoperating Revenue (Expense)				
Investment income	166,540	22,324	188,864	23,325
Interest expense	(146,697)	-	(146,697)	-
Total nonoperating revenue	19,843	22,324	42,167	23,325
Change in Net Position	537,382	157,403	694,785	(107,956)
Net Position - Beginning of year	20,879,033	520,736	21,399,769	761,848
Net Position - End of year	\$ 21,416,415	\$ 678,139	\$ 22,094,554	\$ 653,892

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2019

	Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Rubbish Collection Fund	Total	Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 8,279,096	\$ 1,676,323	\$ 9,955,419	\$ 129,060
Payments to suppliers	(5,672,603)	(1,541,157)	(7,213,760)	-
Payments to employees and fringes	(2,016,782)	-	(2,016,782)	-
Claims paid	-	-	-	(146,668)
Net cash and cash equivalents provided by (used in) operating activities	589,711	135,166	724,877	(17,608)
Cash Flows from Capital and Related Financing Activities				
Proceeds from draws on SRF loan	883,192	-	883,192	-
Purchase of capital assets	(2,077,015)	-	(2,077,015)	-
Principal and interest paid on capital debt	(663,012)	-	(663,012)	-
Net cash and cash equivalents used in capital and related financing activities	(1,856,835)	-	(1,856,835)	-
Cash Flows Provided by Investing Activities -				
Interest received on investments	175,297	22,611	197,908	24,262
Net (Decrease) Increase in Cash and Cash Equivalents	(1,091,827)	157,777	(934,050)	6,654
Cash and Cash Equivalents - Beginning of year	9,085,942	523,585	9,609,527	1,120,731
Cash and Cash Equivalents - End of year	\$ 7,994,115	\$ 681,362	\$ 8,675,477	\$ 1,127,385
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 517,539	\$ 135,079	\$ 652,618	\$ (131,281)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	1,030,805	-	1,030,805	-
Changes in assets and liabilities:				
Receivables	613,564	20	613,584	-
Prepaid and other assets	3,052	-	3,052	-
Net pension or OPEB liability	(1,343,715)	-	(1,343,715)	-
Accounts payable	(231,534)	67	(231,467)	-
Estimated claims liability	-	-	-	113,673
Total adjustments	72,172	87	72,259	113,673
Net cash and cash equivalents provided by (used in) operating activities	\$ 589,711	\$ 135,166	\$ 724,877	\$ (17,608)

See notes to financial statements.

Fiduciary Fund
Statement of Fiduciary Assets and Liabilities

June 30, 2019

General Agency
Fund

Assets - Cash and cash equivalents

\$ 1,226,805

Liabilities

Accounts payable

\$ 887,324

Due to other governmental units

339,481

Total liabilities

\$ 1,226,805

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 Unit

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

Discretely Presented Component Unit

The 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 Organizations

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) 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 it is 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 reports the following funds as a "major" governmental fund:

- The General Fund 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)

- The Capital Project - Roads Bond Fund is used to record bond proceeds and expenditures related to various road improvement projects.

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.

Note 2 - Significant Accounting Policies (Continued)

Receivables and Payables

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

Inventories and Prepaid Items

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

Restricted Assets

Restricted assets in the governmental funds consist of unspent bond proceeds related to construction.

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:

	Depreciable Life - Years
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 "other financing sources" 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.

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 reports the following deferred outflows of resources and deferred inflows of resources:

	Inflows	Outflows
Unavailable revenue (that not collected within the period of availability) - reported only at the modified accrual level	✓	
Deferred pension costs (or cost reductions)	✓	✓
Deferred OPEB costs (or cost reductions)		✓

Net Position

Net position of the City is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

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).

Note 2 - Significant Accounting Policies (Continued)

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 ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The 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 2018 property tax revenue was levied and collectible on July 1, 2018 and is recognized as revenue in the year ended June 30, 2019 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2018 taxable valuation of the City totaled \$516 million, on which taxes levied consisted of 13.5783 mills for operating purposes, 0.8200 mills for refuse collection, 0.9811 mills for library operations, 3.4337 mills for public safety, and 3.1990 mills for judgment debt. This resulted in \$6.8 million for operating, \$423,000 for refuse collection, \$494,000 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 (primarily the General Fund and the Water and Sewer Fund) 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 2 - Significant Accounting Policies (Continued)

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the City's financial statements for the June 30, 2021 fiscal year.

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 that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that 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 that 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.

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$19,408,987 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity, and, unless matched to a specific cash flow requirement, the City cannot directly invest in securities maturing more than five years from the date of purchase. 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	\$ 1,472,933	2 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, 2019, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
Michigan CLASS investment pool	\$ 4,982,389	AAA _m	S&P
Money market	6,654,851	N/A	N/A
Commercial paper	1,472,933	A2	Moody's
Total	<u>\$ 13,110,173</u>		

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer.

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

Note 3 - Deposits and Investments (Continued)

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The City has the following recurring fair value measurements as of June 30, 2019:

- Michigan CLASS investment pool of \$4,982,389 is measured at net asset value (NAV).

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is presented on the table below.

Investments in Entities that Calculate Net Asset Value per Share

The City holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

As of June 30, 2019, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Carrying Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Michigan CLASS investment pool	\$ 4,982,389	\$ -	None	None

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A 1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

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, 2019 is as follows:

Shortfall at July 1, 2018		\$ (1,617,317)
Current year permit revenue		623,394
Related expenses - Direct costs	\$ 698,663	
Current year shortfall		<u>(75,269)</u>
Cumulative shortfall June 30, 2019		<u>\$ (1,692,586)</u>

June 30, 2019

Note 5 - Capital Assets

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

Governmental Activities

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being depreciated:					
Land and land improvements	\$ 1,514,961	\$ -	\$ -	\$ -	\$ 1,514,961
Construction in progress	2,203,979	(1,781,814)	3,554,936	-	3,977,101
Subtotal	3,718,940	(1,781,814)	3,554,936	-	5,492,062
Capital assets being depreciated:					
Roads and sidewalks	99,888,388	1,145,420	1,484,709	-	102,518,517
Buildings and improvements	8,327,524	636,394	736,635	-	9,700,553
Vehicles	12,679,232	-	889,301	-	13,568,533
Subtotal	120,895,144	1,781,814	3,110,645	-	125,787,603
Accumulated depreciation:					
Roads and sidewalks	80,203,803	-	1,946,467	-	82,150,270
Buildings and improvements	3,808,449	-	145,661	-	3,954,110
Vehicles	11,332,212	-	333,638	-	11,665,850
Subtotal	95,344,464	-	2,425,766	-	97,770,230
Net capital assets being depreciated	25,550,680	1,781,814	684,879	-	28,017,373
Net governmental activities capital assets	<u>\$ 29,269,620</u>	<u>\$ -</u>	<u>\$ 4,239,815</u>	<u>\$ -</u>	<u>\$ 33,509,435</u>

June 30, 2019

Note 5 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being depreciated - Construction in progress	\$ 4,639,222	\$ (743,985)	\$ 1,198,542	\$ -	\$ 5,093,779
Capital assets being depreciated:					
Water and sewer lines	18,430,301	743,985	521,721	-	19,696,007
Drain rights	28,122,982	-	-	-	28,122,982
Buildings and improvements	11,664	-	15,757	-	27,421
Vehicles	1,345,001	-	130,463	-	1,475,464
Meters	2,943,512	-	43,731	-	2,987,243
Office furnishings	103,166	-	-	-	103,166
Machinery and equipments	1,397,253	-	171,751	-	1,569,004
Subtotal	52,353,879	743,985	883,423	-	53,981,287
Accumulated depreciation:					
Water and sewer lines	5,328,554	-	199,220	-	5,527,774
Drain rights	10,686,737	-	562,457	-	11,249,194
Buildings and improvements	583	-	391	-	974
Vehicles	1,063,487	-	58,001	-	1,121,488
Meters	1,869,474	-	145,688	-	2,015,162
Office furnishings	78,088	-	6,075	-	84,163
Machinery and equipment	993,964	-	63,923	-	1,057,887
Subtotal	20,020,887	-	1,035,755	-	21,056,642
Net capital assets being depreciated	32,332,992	743,985	(152,332)	-	32,924,645
Net business-type activities capital assets	\$ 36,972,214	\$ -	\$ 1,046,210	\$ -	\$ 38,018,424

Component Unit

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets being depreciated:					
Land improvements	\$ 2,538,296	\$ -	\$ 35,000	\$ -	\$ 2,573,296
Equipment	134,592	-	-	-	134,592
Subtotal	2,672,888	-	35,000	-	2,707,888
Accumulated depreciation:					
Land improvements	1,061,907	-	53,024	-	1,114,931
Equipment	122,591	-	5,330	-	127,921
Subtotal	1,184,498	-	58,354	-	1,242,852
Net component unit capital assets	\$ 1,488,390	\$ -	\$ (23,354)	\$ -	\$ 1,465,036

June 30, 2019

Note 5 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 72,553
Public safety	183,581
Public works	2,041,099
Recreation and culture	<u>128,533</u>
Total governmental activities	<u>\$ 2,425,766</u>
Business-type activities - Water and sewer	\$ 1,035,758

Construction Commitments

At year end, the City's commitments with contractors for active construction projects are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Sewer line project (State Revolving Fund)	\$ 4,446,093	\$ 303,907
Concrete removal/replace project	1,489,604	1,567,933
Concrete sectioning project	19,915	639,785
Asphalt mill/replace project	586,496	1,769,890
Spray patching project	<u>-</u>	<u>68,400</u>
Total	<u>\$ 6,542,108</u>	<u>\$ 4,349,915</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>13,588</u>
	Total	<u>\$ 37,365</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 (1)	\$ 189,189
Other nonmajor governmental funds	General Fund (1)	72,000
	Other nonmajor governmental funds (2)	<u>1,008,800</u>
	Total	<u>\$ 1,269,989</u>

(1) Transfer for capital projects, asset purchases, and operating expenditure

(2) Transfer of Act 51 Money to fund Local Street Fund project

June 30, 2019

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.

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Other debt -							
2004 General Obligation Limited Tax Refunding Bonds							
Amount of issue - \$1,090,000							
Maturing through 2022	N/A	N/A	\$ 52,250	\$ -	\$ (52,250)	\$ -	\$ -
2011 General Obligation Tax Refunding Bonds							
Amount of issue - \$11,190,000							
Maturing through 2020	3.25%	\$900,000	2,485,000	-	(1,585,000)	900,000	900,000
2018 General Obligation Tax Refunding Bonds							
Amount of issue - \$151,061 (Part of \$1,720,000 Issue)							
Maturing through 2027	3.00% - 4.00%	\$10,539 - \$31,178	151,061	-	-	151,061	31,178
2018 Capital Improvement Bond							
Amount of issue - \$2,850,000							
Maturing through 2024	4.00%	\$435,000 - \$520,000	2,850,000	-	-	2,850,000	435,000
2019 General Obligation Unlimited Tax Bonds							
Amount of Issue - \$10,000,000							
Maturing through 2024	5.00%	\$1,490,000-\$2,810,000	-	10,000,000	-	10,000,000	2,810,000
Total other debt principal outstanding			5,538,311	10,000,000	(1,637,250)	13,901,061	4,176,178
Unamortized bond premiums			123,304	777,475	(33,509)	867,270	-
Total bonds and contracts payable			5,661,615	10,777,475	(1,670,759)	14,768,331	4,176,178
Compensated absences			965,170	313,701	(360,298)	918,573	355,140
Self-insurance claims			368,912	85,972	-	454,884	-
Total governmental activities long-term debt			\$ 6,995,697	\$ 11,177,148	\$ (2,031,057)	\$ 16,141,788	\$ 4,531,318

June 30, 2019

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:							
Direct borrowings and direct placements -							
State Revolving Fund Debt							
Amount of issue - \$4,570,000, of which \$4,446,093 has been drawn							
Maturing through 2037	2.50%	\$185,000 - \$300,00	\$ 3,562,901	\$ 883,192	\$ (185,000)	\$ 4,261,093	\$ 190,000
Other debt -							
2004 General Obligation Limited Tax Refunding Bonds							
Amount of issue - \$4,295,000							
Maturing through 2022	N/A	N/A	207,480	-	(207,480)	-	-
2008 General Obligation Limited Tax Bond							
Amount of issue - \$1,610,000							
Maturing through 2028	N/A	N/A	75,000	-	(75,000)	-	-
2011 General Obligation Limited Tax Refunding Bonds							
Amount of issue - \$314,121							
Maturing through 2019	N/A	N/A	43,884	-	(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%	\$109,461 - \$323,822	1,568,939	-	-	1,568,939	323,822
Total other debt principal outstanding			1,895,303	-	(326,364)	1,568,939	323,822
Unamortized bond premiums			46,921	-	(5,214)	41,707	-
Total bonds and contracts payable:			5,505,125	883,192	(516,578)	5,871,739	513,822
Compensated absences			84,043	53,045	(49,688)	87,400	50,718
Total business-type activities long-term debt			<u>\$ 5,589,168</u>	<u>\$ 936,237</u>	<u>\$ (566,266)</u>	<u>\$ 5,959,139</u>	<u>\$ 564,540</u>

Component Unit

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -							
Other debt -							
2011 General Obligation Limited Tax Refunding Bonds							
Amount of issue - \$1,440,681							
Maturing through 2019	N/A	N/A	\$ 201,121	\$ -	\$ (201,121)	\$ -	\$ -

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				
	Direct Borrowings and Direct Placements		Other Debt			Direct Borrowings and Direct Placements		Other Debt		
	Principal	Interest	Principal	Interest	Total	Principal	Interest	Principal	Interest	Total
2020	\$ -	\$ -	\$ 4,176,178	\$ 639,644	\$ 4,815,822	\$ 190,000	\$ 103,653	\$ 323,822	\$ 156,559	\$ 774,034
2021	-	-	3,435,739	451,056	3,886,795	195,000	99,340	319,261	139,384	752,985
2022	-	-	1,825,300	283,635	2,108,935	200,000	94,402	314,700	121,768	730,870
2023	-	-	1,903,783	197,353	2,101,136	205,000	89,340	91,217	108,587	494,144
2024	-	-	1,998,783	106,802	2,105,585	210,000	84,152	91,217	15,598	400,967
2025-2029	-	-	561,278	12,995	574,273	1,130,000	282,234	428,722	26,955	1,867,911
Thereafter	-	-	-	-	-	2,131,093	275,975	-	-	2,407,068
Total	\$ -	\$ -	\$ 13,901,061	\$ 1,691,485	\$ 15,592,546	\$ 4,261,093	\$ 1,029,096	\$ 1,568,939	\$ 568,851	\$ 7,427,979

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.

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 and 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	
	2019	2018	2019	2018
Estimated (excess) liability - Beginning of year	\$ (28,090)	\$ 107,362	\$ 378,000	\$ 178,000
Estimated claims incurred, including changes in estimates	243,381	(21,292)	166,013	368,580
Claim payments	(115,409)	(114,160)	(189,013)	(168,580)
Estimated liability (excess) - End of year	\$ 99,882	\$ (28,090)	\$ 355,000	\$ 378,000

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 city and district court employees.

Note 9 - Pension Plans (Continued)

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 or in writing to MERS at 1134 Municipal Way, Lansing, MI 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, which require 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 employees 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.

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.

June 30, 2019

Note 9 - Pension Plans (Continued)

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	180	7
Inactive plan members entitled to but not yet receiving benefits	3	1
Active plan members	101	9
Total employees covered by the plan	<u>284</u>	<u>17</u>

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, 2019, the average monthly contribution for the city and court plans was \$196,006 and \$9,430, respectively. The average monthly contribution from the employees for the city and court plans was \$78,706 and \$1,611, respectively.

June 30, 2019

Note 9 - Pension Plans (Continued)

Net Pension Liability

The net pension liability reported at June 30, 2019 was determined using a measure of the total pension liability and the pension net position as of December 31, 2018. The December 31, 2018 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
Balance at December 31, 2017	\$ 90,107,099	\$ 59,010,465	\$ 31,096,634
Changes for the year:			
Service cost	1,056,603	-	1,056,603
Interest	7,006,991	-	7,006,991
Changes in benefits	44,818	-	44,818
Differences between expected and actual experience	805,483	-	805,483
Contributions - Employer	-	2,193,823	(2,193,823)
Contributions - Employee	-	934,637	(934,637)
Net investment loss	-	(2,227,227)	2,227,227
Benefit payments, including refunds	(6,096,090)	(6,096,090)	-
Administrative expenses	-	(112,346)	112,346
Net changes	2,817,805	(5,307,203)	8,125,008
Balance at December 31, 2018	\$ 92,924,904	\$ 53,703,262	\$ 39,221,642

The plan's fiduciary net position represents 57.8 percent of the total pension liability.

MERS Plan - District Court Employees

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2017	\$ 2,839,503	\$ 1,878,470	\$ 961,033
Changes for the year:			
Service cost	60,608	-	60,608
Interest	222,082	-	222,082
Differences between expected and actual experience	11,646	-	11,646
Contributions - Employer	-	108,283	(108,283)
Contributions - Employee	-	19,023	(19,023)
Net investment loss	-	(72,311)	72,311
Benefit payments, including refunds	(187,576)	(187,576)	-
Administrative expenses	-	(3,611)	3,611
Net changes	106,760	(136,192)	242,952
Balance at December 31, 2018	\$ 2,946,263	\$ 1,742,278	\$ 1,203,985

The plan's fiduciary net position represents 59.1 percent of the total pension liability.

June 30, 2019

Note 9 - Pension Plans (Continued)

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

For the year ended June 30, 2019, the City recognized pension expense of \$5,441,136 from all plans.

At June 30, 2019, the City and district court reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 711,353	\$ (4,501)
Changes in assumptions	23,028	-
Net difference between projected and actual earnings on pension plan investments	4,239,343	-
Employer contributions to the plan subsequent to the measurement date	<u>1,216,610</u>	<u>-</u>
Total	<u>\$ 6,190,334</u>	<u>\$ (4,501)</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):

<u>Years Ending June 30</u>	<u>Amount</u>
2020	\$ 1,997,517
2021	737,073
2022	823,324
2023	<u>1,411,309</u>
Total	<u>\$ 4,969,223</u>

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)	8.00%
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, 2018 valuation were based on the results of an actuarial experience study for the period from January 1, 2009 through December 31, 2013.

Note 9 - Pension Plans (Continued)

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, 2018, the measurement date, for each major asset class are summarized in the following table:

MERS Plan - City and District Court Employees

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.50 %	6.15 %
Global fixed income	18.50	1.26
Real assets	13.50	7.22
Diversifying strategies	12.50	5.00

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 8.00 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	\$ 49,952,803	\$ 39,221,642	\$ 30,240,061
Net pension liability of the MERS Plan - District Court Employees	1,563,274	1,203,985	906,006

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 pensions, 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.

June 30, 2019

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 the City. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB 75.

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:

	<u>City of Garden City Retiree Health Care Plan</u>
Date of member count	June 30, 2019
Inactive plan members or beneficiaries currently receiving benefits	219
Active plan members	<u>53</u>
Total plan members	<u><u>272</u></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.

Total OPEB Liability

The June 30, 2019 total OPEB liability was determined by an actuarial valuation performed as of July 1, 2018, which used updated procedures to roll forward the estimated liability to June 30, 2019.

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

<u>Changes in Net OPEB Liability</u>	<u>Total OPEB Liability</u>
Balance at July 1, 2018	\$ 128,958,128
Changes for the year:	
Service cost	624,759
Interest	4,456,300
Changes in assumptions	4,835,598
Benefit payments, including refunds	<u>(3,270,533)</u>
Net changes	<u>6,646,124</u>
Balance at June 30, 2019	<u><u>\$ 135,604,252</u></u>

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$2,347,815.

June 30, 2019

Note 10 - Other Postemployment Benefit Plan (Continued)

At June 30, 2019, the City reported deferred outflows of resources related to OPEB from the following sources:

		Deferred Outflows of Resources
		\$ 4,298,309
Changes in assumptions		
	Years Ending June 30	Amount
	2020	\$ 537,289
	2021	537,289
	2022	537,289
	2023	537,289
	2024	537,289
	Thereafter	1,611,864
	Total	\$ 4,298,309

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; a healthcare cost trend rate of 9.0 percent for 2019, decreasing 0.5 percent per year to an ultimate rate of 5.0 percent for 2026 and later years; and 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 3.1 percent. The discount rate was based on the average of three 20-year 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 3.1 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 (2.1%)	Current Discount Rate (3.1%)	1 Percent Increase (4.1%)
Total OPEB liability of the City of Garden City Retiree Health Care Plan	\$ 165,171,508	\$ 135,604,252	\$ 113,483,228

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, decreasing 0.5 percent per year to 5.0 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	\$ 111,327,439	\$ 135,604,252	\$ 169,513,166

Note 10 - Other Postemployment Benefit Plan (Continued)

Assumption Changes

From the previous measurement date, the primary assumption changes include a decrease in discount rate from 3.5 percent to 3.1 percent and changes in demographics based on reporting of participant class by the City.

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, 2019. 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 \$557,903 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.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 7,671,721	\$ 7,715,500	\$ 7,750,403	\$ 34,903
State and federal sources	4,283,958	4,421,143	3,877,483	(543,660)
Charges for services	684,600	608,559	694,481	85,922
21st District Court	805,500	754,555	809,973	55,418
Licenses and permits	44,000	45,500	48,952	3,452
Interest and other	628,220	805,749	872,387	66,638
Cable franchise fees	568,000	559,150	558,291	(859)
Total revenue	14,685,999	14,910,156	14,611,970	(298,186)
Expenditures				
Current services:				
General government:				
Mayor and City Council	46,622	50,750	48,915	1,835
Boards and commissions	9,450	26,750	30,220	(3,470)
Clerk/Treasurer	1,034,353	1,044,967	976,437	68,530
General government services	1,055,695	934,666	1,076,391	(141,725)
City administration	424,334	435,359	431,119	4,240
21st District Court	1,014,664	1,014,664	948,807	65,857
Department of public service	997,014	1,119,048	1,017,139	101,909
Recreation and culture	2,237,960	2,319,902	2,115,050	204,852
Debt service	571,881	156,430	156,428	2
Total expenditures	7,391,973	7,102,536	6,800,506	302,030
Excess of Revenue Over Expenditures	7,294,026	7,807,620	7,811,464	3,844
Other Financing Sources (Uses)				
Transfers in	-	92,000	72,000	(20,000)
Transfers out	(8,403,719)	(8,568,707)	(7,832,692)	736,015
Total other financing uses	(8,403,719)	(8,476,707)	(7,760,692)	716,015
Net Change in Fund Balance	(1,109,693)	(669,087)	50,772	719,859
Fund Balance - Beginning of year	7,203,454	7,203,454	7,203,454	-
Fund Balance - End of year	<u>\$ 6,093,761</u>	<u>\$ 6,534,367</u>	<u>\$ 7,254,226</u>	<u>\$ 719,859</u>

Required Supplemental Information
Schedule of City Pension Contributions

Last Ten Fiscal Years
Years Ended June 30

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 2,352,077	\$ 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
Contributions in relation to the actuarially determined contribution	2,352,077	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
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 5,928,099	\$ 7,332,391	\$ 7,440,818	\$ 7,570,432	\$ 7,225,238	\$ 5,880,419	\$ 5,682,296	\$ 5,495,028	\$ 5,523,129	\$ 6,034,482
Contributions as a Percentage of Covered Payroll	39.68 %	27.77 %	24.37 %	23.21 %	22.16 %	26.42 %	23.37 %	19.33 %	21.85 %	24.16 %

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	20 years
Asset valuation method	Five-year smoothed
Inflation	2.50 percent
Salary increase	3.75 - 14.75 percent
Investment rate of return	8.00 percent
Retirement age	Varies by bargaining unit
Mortality	RP-2014 Mortality Table
Other information	None

City of Garden City, Michigan

**Required Supplemental Information
Schedule of District Court Pension Contributions**

**Last Ten Fiscal Years
Years Ended June 30**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 113,157	\$ 105,860	\$ 97,536	\$ 85,263	\$ 83,869	\$ 79,916	\$ 50,091	\$ 52,073	\$ 64,523	\$ 42,222
Contributions in relation to the actuarially determined contribution	113,157	105,860	97,536	85,263	83,869	79,916	50,091	52,073	64,523	42,222
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 380,705	\$ 443,160	\$ 443,646	\$ 445,544	\$ 429,582	\$ 322,623	\$ 322,623	\$ 296,253	\$ 266,346	\$ 312,919
Contributions as a Percentage of Covered Payroll	29.72 %	23.89 %	21.99 %	19.14 %	19.52 %	24.77 %	15.53 %	17.58 %	24.23 %	13.49 %

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	20 years
Asset valuation method	Five-year smoothed
Inflation	2.50 percent
Salary increase	3.75 - 14.75 percent
Investment rate of return	8.00 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 Five Fiscal Years				
	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 1,056,603	\$ 1,079,806	\$ 1,074,769	\$ 1,064,238	\$ 1,053,039
Interest	7,006,991	6,824,827	6,567,622	6,272,941	6,094,598
Changes in benefit terms	44,818	-	-	-	-
Differences between expected and actual experience	805,483	394,489	1,287,026	(371,306)	-
Changes in assumptions	-	-	-	4,305,506	-
Benefit payments, including refunds	(6,096,090)	(5,924,907)	(5,508,825)	(4,925,236)	(5,057,759)
Net Change in Total Pension Liability	2,817,805	2,374,215	3,420,592	6,346,143	2,089,878
Total Pension Liability - Beginning of year	90,107,099	87,732,884	84,312,292	77,966,149	75,876,271
Total Pension Liability - End of year	<u>\$ 92,924,904</u>	<u>\$ 90,107,099</u>	<u>\$ 87,732,884</u>	<u>\$ 84,312,292</u>	<u>\$ 77,966,149</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 2,193,823	\$ 1,935,837	\$ 1,783,229	\$ 1,671,678	\$ 1,575,233
Contributions - Member	934,637	790,939	828,143	704,883	824,715
Net investment (loss) income	(2,227,227)	7,126,289	5,841,587	(812,190)	3,435,202
Administrative expenses	(112,346)	(113,105)	(115,385)	(120,264)	(125,638)
Benefit payments, including refunds	(6,096,090)	(5,924,907)	(5,508,825)	(4,925,236)	(5,057,759)
Other	-	-	256	-	-
Net Change in Plan Fiduciary Net Position	(5,307,203)	3,815,053	2,829,005	(3,481,129)	651,753
Plan Fiduciary Net Position - Beginning of year	59,010,465	55,195,412	52,366,407	55,847,536	55,195,783
Plan Fiduciary Net Position - End of year	<u>\$ 53,703,262</u>	<u>\$ 59,010,465</u>	<u>\$ 55,195,412</u>	<u>\$ 52,366,407</u>	<u>\$ 55,847,536</u>
City's Net Pension Liability - Ending	<u>\$ 39,221,642</u>	<u>\$ 31,096,634</u>	<u>\$ 32,537,472</u>	<u>\$ 31,945,885</u>	<u>\$ 22,118,613</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	57.79 %	65.49 %	62.91 %	62.11 %	71.63 %
Covered Payroll	\$ 5,928,099	\$ 7,332,391	\$ 7,440,818	\$ 7,570,432	\$ 7,225,238
City's Net Pension Liability as a Percentage of Covered Payroll	661.62 %	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 Five Fiscal Years				
	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 60,608	\$ 51,388	\$ 51,970	\$ 51,028	\$ 59,368
Interest	222,082	215,449	203,906	187,611	178,381
Differences between expected and actual experience	11,646	(7,501)	52,938	61,880	-
Changes in assumptions	-	-	-	115,138	-
Benefit payments, including refunds	<u>(187,576)</u>	<u>(174,504)</u>	<u>(153,976)</u>	<u>(128,763)</u>	<u>(114,639)</u>
Net Change in Total Pension Liability	106,760	84,832	154,838	286,894	123,110
Total Pension Liability - Beginning of year	<u>2,839,503</u>	<u>2,754,671</u>	<u>2,599,833</u>	<u>2,312,939</u>	<u>2,189,829</u>
Total Pension Liability - End of year	<u>\$ 2,946,263</u>	<u>\$ 2,839,503</u>	<u>\$ 2,754,671</u>	<u>\$ 2,599,833</u>	<u>\$ 2,312,939</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 108,283	\$ 100,740	\$ 93,403	\$ 81,930	\$ 85,762
Contributions - Member	19,023	19,141	19,373	17,950	19,017
Net investment (loss) income	(72,311)	224,000	178,418	(24,581)	98,201
Administrative expenses	(3,611)	(3,547)	(3,523)	(3,578)	(3,611)
Benefit payments, including refunds	<u>(187,576)</u>	<u>(174,504)</u>	<u>(153,976)</u>	<u>(128,763)</u>	<u>(114,639)</u>
Net Change in Plan Fiduciary Net Position	(136,192)	165,830	133,695	(57,042)	84,730
Plan Fiduciary Net Position - Beginning of year	<u>1,878,470</u>	<u>1,712,640</u>	<u>1,578,945</u>	<u>1,635,987</u>	<u>1,551,257</u>
Plan Fiduciary Net Position - End of year	<u>\$ 1,742,278</u>	<u>\$ 1,878,470</u>	<u>\$ 1,712,640</u>	<u>\$ 1,578,945</u>	<u>\$ 1,635,987</u>
City's Net Pension Liability - Ending	<u>\$ 1,203,985</u>	<u>\$ 961,033</u>	<u>\$ 1,042,031</u>	<u>\$ 1,020,888</u>	<u>\$ 676,952</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	59.14 %	66.15 %	62.17 %	60.73 %	70.73 %
Covered Payroll	\$ 380,705	\$ 443,160	\$ 443,646	\$ 445,544	\$ 429,582
City's Net Pension Liability as a Percentage of Covered Payroll	316.25 %	216.86 %	234.88 %	229.13 %	157.58 %

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

	Last Two Fiscal Years	
	2019	2018
Total OPEB Liability		
Service cost	\$ 624,759	\$ 835,371
Interest	4,456,300	4,396,828
Changes in assumptions	4,835,598	-
Benefit payments, including refunds	(3,270,533)	(3,795,435)
Net Change in Total OPEB Liability	6,646,124	1,436,764
Total OPEB Liability - Beginning of year	128,958,128	127,521,364
Total OPEB Liability - End of year	\$ 135,604,252	\$ 128,958,128

Assumption changes: From the previous measurement date, the primary assumption changes include a decrease in discount rate from 3.5 percent to 3.1 percent and changes in demographics based on reporting of participant class by the City.

Required Supplemental Information
Schedule of OPEB Contributions

Last Ten Fiscal Years
Years Ended June 30

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 7,289,445	\$ 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
Contributions in relation to the actuarially determined contribution	3,270,533	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
Contribution Deficiency	\$ (4,018,912)	\$ -	\$ (3,168,146)	\$ (4,935,726)	\$ (4,586,334)	\$ (4,869,254)	\$ (4,918,804)	\$ (4,047,949)	\$ (3,875,159)	\$ (1,350,766)

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	3.10 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 ensuing fiscal year to the City Council at a regular council meeting.
- Public hearings are conducted to obtain citizen comment.
- The budget must be adopted by 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 for inspection at the clerk's office.

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	\$ 17,856,710	\$ 17,659,541	\$ (117,189)
205 - Public safety	(2,606,319)	(10,160,372)	(7,526,511)
249 - Building department	(623,394)	(698,663)	(66,992)
736 - Retiree health care	(15,027)	-	(50,000)
Amounts per budget statement	<u>\$ 14,611,970</u>	<u>\$ 6,800,506</u>	<u>\$ (7,760,692)</u>

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City of Garden City, Michigan incurred the following expenditures in excess of the amount budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Boards and commissions	\$ 26,750	\$ 30,220	\$ (3,470)
General governmental services	934,666	1,076,391	(141,725)

Other Supplemental Information

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
Assets							
Cash and investments	\$ 764,832	\$ 2,526,232	\$ 232,672	\$ 125,623	\$ 29,090	\$ 68,910	\$ -
Receivables	45,051	25,227	76,732	-	1,300	56	15,005
Due from other funds	-	-	-	13,588	-	-	-
Prepaid expenses and other assets	-	-	-	-	-	-	1,800
Due from other governmental units	323,823	130,926	-	-	-	-	-
Restricted assets	-	-	-	-	-	-	-
Total assets	\$ 1,133,706	\$ 2,682,385	\$ 309,404	\$ 139,211	\$ 30,390	\$ 68,966	\$ 16,805
Liabilities							
Accounts payable	\$ 217,421	\$ 150,711	\$ -	\$ 38,220	\$ -	\$ 48	\$ 4,598
Due to other governmental units	-	-	-	1,485	-	-	-
Due to other funds	-	-	-	23,777	13,588	-	-
Accrued liabilities and other	-	-	-	-	-	-	4,647
Unearned revenue	-	-	-	-	-	-	-
Payable from restricted assets	-	-	-	-	-	-	-
Total liabilities	217,421	150,711	-	63,482	13,588	48	9,245
Deferred Inflows of Resources -							
Unavailable revenue	44,426	22,954	-	-	-	-	-
Fund Balances							
Nonspendable	-	-	-	-	-	-	1,800
Restricted:							
Roads	871,859	2,508,720	-	-	-	-	-
Public safety	-	-	309,404	-	-	68,918	-
Debt service	-	-	-	-	-	-	-
Community development	-	-	-	75,729	16,802	-	-
Capital projects	-	-	-	-	-	-	-
PEG fees	-	-	-	-	-	-	5,760
Library	-	-	-	-	-	-	-
Assigned:							
Capital projects	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-
Total fund balances	871,859	2,508,720	309,404	75,729	16,802	68,918	7,560
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,133,706	\$ 2,682,385	\$ 309,404	\$ 139,211	\$ 30,390	\$ 68,966	\$ 16,805

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2019

Special Revenue Funds			Debt Service Funds		Capital Project Funds					
260 - Michigan Indigent Defense Commission	219 - Street Lighting Assessment	790 - Library	301 - Debt Retirement	401 - Capital Projects	436 - District Court Building Fund	824 - Sidewalk 2015	853 - Maplewood II	850 - Florence Reconstruction	Total	
\$ 62,306	\$ 450	\$ 602,678	\$ 51,811	\$ 161,340	\$ 442,177	\$ 48,878	\$ 1,266	\$ 7,883	\$ 5,126,148	
58	-	2,260	5,522	771	2,993	70,884	1	10,026	255,886	
-	-	-	-	-	-	-	-	-	13,588	
-	-	-	-	35,350	-	-	-	-	37,150	
-	-	-	-	-	-	-	-	-	454,749	
-	-	-	-	626,019	-	-	-	-	626,019	
\$ 62,364	\$ 450	\$ 604,938	\$ 57,333	\$ 823,480	\$ 445,170	\$ 119,762	\$ 1,267	\$ 17,909	\$ 6,513,540	
\$ 4,000	\$ 34	\$ 2,540	\$ 89	\$ 2,552	\$ -	\$ -	\$ 1,242	\$ -	\$ 421,455	
-	-	-	-	-	-	-	-	-	1,485	
-	-	-	-	-	-	-	-	-	37,365	
-	-	11,245	-	-	-	-	-	-	15,892	
58,364	-	-	-	-	-	-	-	-	58,364	
-	-	-	-	179,406	-	-	-	-	179,406	
62,364	34	13,785	89	181,958	-	-	1,242	-	713,967	
-	-	1,701	5,472	-	-	70,773	-	10,011	155,337	
-	-	-	-	35,350	-	-	-	-	37,150	
-	-	-	-	-	-	-	-	-	3,380,579	
-	-	-	-	-	-	-	-	-	378,322	
-	-	-	51,772	-	-	-	-	-	51,772	
-	-	-	-	-	-	-	-	-	92,531	
-	-	-	-	446,613	-	48,989	25	7,898	503,525	
-	-	-	-	-	-	-	-	-	5,760	
-	-	589,452	-	-	-	-	-	-	589,452	
-	-	-	-	159,559	445,170	-	-	-	604,729	
-	416	-	-	-	-	-	-	-	416	
-	416	589,452	51,772	641,522	445,170	48,989	25	7,898	5,644,236	
\$ 62,364	\$ 450	\$ 604,938	\$ 57,333	\$ 823,480	\$ 445,170	\$ 119,762	\$ 1,267	\$ 17,909	\$ 6,513,540	

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
Revenue							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	32,152	-	-	-	-	-	-
State and federal sources	2,014,158	905,956	-	181,155	1,998	-	-
Charges for services	-	87,356	-	-	-	-	-
Interest and other	19,438	39,735	150,943	-	-	19,146	73,244
Total revenue	2,065,748	1,033,047	150,943	181,155	1,998	19,146	73,244
Expenditures							
Current services:							
21st District Court	-	-	-	-	-	-	-
Public safety	-	-	142,000	-	-	20,743	-
Public service	1,821,250	1,425,696	-	-	-	-	-
Community and economic development	-	-	-	105,988	-	-	180,691
Recreation and culture	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	1,821,250	1,425,696	142,000	105,988	-	20,743	180,691
Excess of Revenue Over (Under) Expenditures	244,498	(392,649)	8,943	75,167	1,998	(1,597)	(107,447)
Other Financing Sources (Uses)							
Transfers in	-	1,008,800	-	-	-	-	84,830
Transfers out	(917,855)	(12,212)	-	-	-	-	-
Total other financing (uses) sources	(917,855)	996,588	-	-	-	-	84,830
Net Change in Fund Balances	(673,357)	603,939	8,943	75,167	1,998	(1,597)	(22,617)
Fund Balances - Beginning of year	1,545,216	1,904,781	300,461	562	14,804	70,515	30,177
Fund Balances - End of year	\$ 871,859	\$ 2,508,720	\$ 309,404	\$ 75,729	\$ 16,802	\$ 68,918	\$ 7,560

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

Year Ended June 30, 2019

Special Revenue Funds			Debt Service Funds	Capital Project Funds						Total
260 - Michigan Indigent Defense Commission	219 - Street Lighting Assessment	790 - Library	301 - Debt Retirement	401 - Capital Projects	436 - District Court Building Fund	824 - Sidewalk Program 2015	853 - Maplewood II	850 - Florence Reconstruction		
\$ -	\$ -	\$ 494,040	\$ 1,655,461	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,149,501	
-	350,590	-	-	-	-	52,084	-	7,641	442,467	
19,987	-	22,143	10,331	-	18,956	-	-	-	3,174,684	
-	-	-	-	-	-	-	-	-	87,356	
274	-	42,536	13,682	13,116	45,167	2,070	25	258	419,634	
20,261	350,590	558,719	1,679,474	13,116	64,123	54,154	25	7,899	6,273,642	
20,261	-	-	-	-	-	-	-	-	20,261	
-	-	-	-	-	-	-	-	-	162,743	
-	-	-	-	-	-	-	-	-	3,246,946	
-	409,355	-	-	-	-	-	-	-	696,034	
-	-	487,402	-	-	-	-	-	-	487,402	
-	-	-	-	1,409,365	-	-	-	-	1,409,365	
-	-	-	1,585,000	-	-	-	-	-	1,585,000	
-	-	-	77,052	-	-	-	-	-	77,052	
20,261	409,355	487,402	1,662,052	1,409,365	-	-	-	-	7,684,803	
-	(58,765)	71,317	17,422	(1,396,249)	64,123	54,154	25	7,899	(1,411,161)	
-	58,765	-	-	45,594	-	-	-	-	1,197,989	
-	-	-	-	-	(72,000)	(70,974)	(14)	(7,745)	(1,080,800)	
-	58,765	-	-	45,594	(72,000)	(70,974)	(14)	(7,745)	117,189	
-	-	71,317	17,422	(1,350,655)	(7,877)	(16,820)	11	154	(1,293,972)	
-	416	518,135	34,350	1,992,177	453,047	65,809	14	7,744	6,938,208	
\$ -	\$ 416	\$ 589,452	\$ 51,772	\$ 641,522	\$ 445,170	\$ 48,989	\$ 25	\$ 7,898	\$ 5,644,236	

City of Garden City, Michigan

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

June 30, 2019

	<u>Downtown Development Authority</u>
Assets	
Cash and investments	\$ 111,562
Receivables - Net	67,367
Prepaid expenses and other assets	<u>900</u>
Total assets	<u>\$ 179,829</u>
Liabilities	
Accounts payable	\$ 3,350
Accrued liabilities and other	<u>3,036</u>
Total liabilities	6,386
Deferred Inflows of Resources - Unavailable revenue	67,262
Fund Balance	
Nonspendable	900
Unassigned	<u>105,281</u>
Total fund balance	<u>106,181</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 179,829</u>

City of Garden City, Michigan

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

Year Ended June 30, 2019

	<u>Downtown Development Authority</u>
Revenue	
Property taxes	\$ 382,298
State and federal sources	62,750
Interest and other	<u>106,085</u>
Total revenue	551,133
Expenditures	
Current services - Community maintenance, development, and other	363,980
Debt service	<u>204,138</u>
Total expenditures	<u>568,118</u>
Excess of Expenditures Over Revenue	(16,985)
Fund Balance - Beginning of year	<u>123,166</u>
Fund Balance - End of year	<u><u>\$ 106,181</u></u>