

**Garden City Public Schools**

**Financial Statements**

**June 30, 2016**

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**Garden City Public Schools**  
**Members of the Board of Education and Administration**  
**June 30, 2016**

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Members of the Board of Education

Darlene Jablonowski– President

Sarah Roffi – Vice President

John Thackaberry – Treasurer

Patrick McNally – Secretary

Lynette Childress – Trustee

Jen VanDeWater – Trustee

Linda Williams – Trustee

Administration

Derek Fisher – Superintendent

Drew McMechan – Chief Financial Officer

## Independent Auditors' Report

Management and the Board of Education  
Garden City Public Schools

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Garden City Public Schools, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District'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.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, each major fund, and the aggregate remaining fund information of Garden City Public Schools, as of June 30, 2016, and the respective changes in 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.

### ***Deficit Fund Balance***

The School District has an accumulated unassigned deficit in the General Fund of \$581,639 as of June 30, 2016, which has resulted from operating deficits. The deficit and status of the District's Deficit Elimination Plan that is required by the Michigan Department of Education, are disclosed in Note 2. Our opinions are not modified with respect to this matter.

### ***Adoption of New Accounting Standards***

As described in Note 1 to the financial statements, during the year ended June 30, 2016, the School District adopted GASB Statements No. 72, 76, 79, and 82, *Fair Value Measurement and Application*, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, *Certain External Investment Pools and Pool Participants*, and *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*, respectively. Our opinions are not modified with respect to this matter.

### **Other Matters:**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, and schedule of the school district's contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Garden City Public Schools' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates 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 other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2016 on our consideration of Garden City Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Garden City Public Schools' internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Saginaw, MI  
October 17, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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# Garden City Public Schools

## Management's Discussion and Analysis

This section of the Garden City Public Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2016. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

### Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Garden City Public Schools financially as a whole. The district-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund and Special Education Fund, with all other funds presented in one column as non-major funds. The remaining statements, the statement of fiduciary net position and the statement of changes in fiduciary net position, present financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)  
(Required Supplemental Information)

### Basic Financial Statements

District-wide Financial Statements      Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplementary Information)  
Budgetary Information for Major Funds

Schedule of the School District's Proportionate Share of the Net Pension Liability  
Schedule of the School District's Contributions

Other Supplementary Information

### ***Reporting the School District as a Whole - District-wide Financial Statements***

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position (deficit) and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. We refer to these statements as the district-wide statements.

These district-wide statements report the School District's net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, and athletics. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

### ***Reporting the School District's Most Significant Funds - Fund Financial Statements***

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. State law and bond covenants require that certain funds be established. However, the School District establishes other funds to help it control and manage money for particular purposes (the Debt and Food Service Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

**Governmental Funds** - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds, and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliation.

### ***The School District as Trustee - Reporting the School District's Fiduciary Responsibilities***

The School District is the trustee, or fiduciary, for its student activity and scholarship trust funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

# Garden City Public Schools

## Management's Discussion and Analysis

### The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2016 and 2015.

TABLE 1

	Governmental Activities June 30,	
	2016	2015
	(in millions)	
Assets & Deferred Outflows		
Current and other assets	\$ 23.0	\$ 17.2
Capital assets	23.3	24.5
Deferred Outflows	<u>8.8</u>	<u>8.8</u>
Total assets & deferred outflows	55.1	50.5
Liabilities		
Current liabilities	19.6	17.5
Long-term liabilities	109.7	107.0
Deferred Inflows	<u>5.6</u>	<u>8.7</u>
Total liabilities	134.9	133.2
Net Position		
Net investment in capital assets	(2.0)	(2.3)
Restricted	4.1	2.7
Unrestricted (deficit)	<u>(81.9)</u>	<u>(83.1)</u>
Total net position	<u>\$ (79.8)</u>	<u>\$ (82.7)</u>

# Garden City Public Schools

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## Management's Discussion and Analysis

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was (\$79.8) million at June 30, 2016. Capital assets, net of related debt totaling approximately (\$2.0) million, compares the original cost, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net position for day-to-day operations. The remaining amount of net position, (\$81.9) million, was unrestricted. The (\$81.9) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position for fiscal years 2016 and 2015.

# Garden City Public Schools

## Management's Discussion and Analysis

TABLE 2	Governmental Activities	
	June 30,	
	2016	2015
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 1.1	\$ 1.0
Operating grants and contributions	23.0	25.2
General revenue:		
Property taxes	6.9	6.6
State aid	24.9	25.8
Other	0.7	0.3
Total revenue	<u>56.6</u>	<u>58.9</u>
Functions/program expenses		
Instruction	32.5	37.2
Supporting services	18.3	19.8
Food services	1.5	1.4
Community services and other	0.5	0.5
Interest and long-term debt	0.9	1.4
Total functions/program costs	<u>53.7</u>	<u>60.3</u>
Increase (decrease) in Net Deficit	2.9	(1.4)
Beginning fund balance (deficit)	(82.7)	-
Prior period adjustment	-	(78.9)
Beginning fund balance (deficit), restated	<u>(82.7)</u>	<u>(78.9)</u>
Ending fund balance (deficit)	<u>\$ (79.8)</u>	<u>\$ (80.3)</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$53.7 million. Certain activities were partially funded from those who benefited from the programs (*i.e.*, Charges for Services of \$1.1 million), or by other governments and organizations that subsidized certain programs with grants and contributions, (*i.e.*, Operating Grants and Contributions of \$23.0 million). We paid for the remaining public benefit portion of our governmental activities with \$6.9 million in taxes, \$24.9 million in state foundation allowance, and \$0.7 million with our other revenue, *i.e.*, interest and general entitlements.

# Garden City Public Schools

## Management's Discussion and Analysis

The School District experienced a \$2.9 million increase in net position. More detailed information is presented in the reconciliation of the statement of revenue, expenditures, and changes in fund balances (deficit) of governmental funds to the statement of activities.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

### **The School District's Funds**

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$3,732,864, which is an increase of \$3.9 million from last year. The primary reason for the increase was due to the continuation of the District's cost saving measures through wage concessions. This accounted for a \$2.5 million decrease in the General Fund Deficit. Additionally, the Sinking Fund Balance increased by approximately \$1.0 million due to the start of capital projects being moved from the 2015-16 school year to the 2016-17 school year.

### **General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2016. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements.

During the year, the budget was amended in a legally permissible manner. Significant amendments between the original and final budgets adopted during the year include a \$468,000 increase in local revenue, an \$866,000 decrease in state revenue, and a \$1.27 million decrease in transfers in. The increase in local revenue was a revision based on an increase in taxable value and two one-time unbudgeted refunds received mid-year. The decrease in state revenue was primarily due to revised estimates in 51c special education revenue. The decrease in transfers in was related to revised estimates related to excess revenues over expenses related to the center program fund.

On the expenditure side of the budget, amendments between the original and final budgets totaled \$1.8 million decrease in projected costs primarily due to updates in staffing numbers in the District.

The variance between the final estimated June 30, 2016 fund balance and the actual June 30, 2016 fund balance was \$675,070.

# Garden City Public Schools

## Management's Discussion and Analysis

### Special Education Special Revenue Fund Budgetary Highlights

The program is operated by the School District for Wayne County RESA (RESA) to provide instructional and non-instructional services for autistic impaired students from Wayne County. During the year, the budget was amended in a legally permissible manner. Revenue was amended to include a \$0.1 million decrease in 51c Revenue and a \$2.8 million decrease in Act 18 Revenue. Amendments to expenditures totaled a \$2.9 million decrease to instruction related to updates in staffing numbers.

The variance between budgeted Special Education Fund revenue and actual Special Education Fund revenue was (\$0.8 million). The change on the revenue was primarily due to estimated over payments of Act 18 revenue in the current year. The variance between budgeted Special Education Fund expenditures and actual Special Education Fund expenditures was (\$0.5 million), primarily due to lower than projected salaries and benefits.

### Capital Assets and Debt Administration

#### *Capital Assets*

As of June 30, 2016, the School District had \$23.3 million invested in a broad range of capital assets, including buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$1.2 million.

	<u>2016</u>	<u>2015</u>
Building and site improvements	\$ 54,579,607	\$ 54,535,870
Equipment and furniture	4,777,105	4,693,879
Buses and other vehicles	<u>1,902,702</u>	<u>1,754,467</u>
Total capital assets	61,259,414	60,984,216
Less accumulated depreciation	<u>(37,974,851)</u>	<u>(36,514,942)</u>
Net capital assets	<u>\$ 23,284,563</u>	<u>\$ 24,469,274</u>

This year's capital asset additions included building improvements, furniture and equipment, and vehicles. We present more detailed information about our capital assets in the notes to the financial statements.

# Garden City Public Schools

## Management's Discussion and Analysis

### *Debt*

At the end of this year, the School District had \$22.1 million in bonds outstanding versus \$26.7 million in the previous year, mainly due to a refunding of the 2005 and 2006 bonds. Those bonds consisted of the following:

	<u>2016</u>	<u>2015</u>
2006 General Obligation Bonds	\$ -	\$ 22,515,000
2005 General Obligation Bonds	-	4,165,000
2016 General Obligation Bonds	<u>22,085,000</u>	<u>-</u>
Total	<u>\$ 22,085,000</u>	<u>\$ 26,680,000</u>

The School District's general obligation bond rating was rated by Moody's as an Enhanced Rating Aa1 due to the District's participation in the School Bond Qualification and Loan Program. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding general obligation debt of \$22,085,000 is significantly below this statutorily imposed 15 percent limit. Other obligations include accrued vacation pay, sick leave, term notes, and early retirement incentive. We present more detailed information about our long-term liabilities in the notes to the financial statements.

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

Our elected officials and administration consider many factors when setting the School District's 2017 fiscal year budget. Approximately 80 percent of total General Fund revenue is from the state aid. Under state law, the School District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. One of the most important factors affecting the budget is our student count. The District has been experiencing declining enrollment for a decade. That trend is expected to continue for several more years based on birth rates in Wayne County. The initial 2017 budget was adopted in June 2016 and was based on an estimate of students that will be enrolled in October 2016. Based on early enrollment data at the start of the 2016-17 school year, we anticipate that the fall student count will be higher than the estimates used in creating the 2016-17 budget. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations. Significant concessions from all bargaining units within the District are being realized again in the 2016-17 School Year. These concessions were sufficient to correct the operating deficit of the district in 2015-16 and to reduce the General Fund cumulative deficit.

### Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it receives. If you have any questions about this report or need additional information, contact Andrew McMechan, Chief Financial Officer, Garden City Public Schools, 1333 Radcliff, Garden City, MI 48135.

## BASIC FINANCIAL STATEMENTS

**Garden City Public Schools**  
**Statement of Net Position**  
**June 30, 2016**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 15,014,172
Taxes receivable	461,773
Accounts receivable	74,724
Due from other governmental units	7,101,620
Due from agency fund activities	218,459
Inventory	19,787
Prepaid items	170,514
Capital assets - net of accumulated depreciation	<u>23,284,563</u>
 Total assets	 <u>46,345,612</u>
 <b>Deferred Outflows of Resources</b>	
Deferred amount relating to net pension liability	8,155,031
Deferred amount on debt refunding	<u>599,089</u>
 Total deferred outflows of resources	 <u>8,754,120</u>
 Total assets and deferred outflows of resources	 <u>55,099,732</u>

See Accompanying Notes to the Financial Statements

**Garden City Public Schools**  
**Statement of Net Position**  
**June 30, 2016**

	Governmental Activities
<b>Liabilities</b>	
Accounts payable	\$ 846,385
State aid anticipation note payable	7,114,286
Due to other governmental units	885,857
Due to agency fund activities	1,500
Payroll deductions and withholdings	19,293
Accrued expenditures	1,380,894
Accrued salaries payable	3,850,735
Unearned revenue	5,469,002
Noncurrent liabilities	
Net pension liability	82,700,478
Debt due within one year	1,760,218
Debt due in more than one year	25,269,475
Total liabilities	129,298,123
<b>Deferred Inflows of Resources</b>	
Deferred amount on net pension liability	5,588,890
Total liabilities and deferred inflows of resources	134,887,013
<b>Net Position</b>	
Net investment in capital assets	(1,995,727)
Restricted for	
Food service	424,144
Debt service	921,958
Sinking fund	2,728,634
Unrestricted (deficit)	(81,866,290)
Total net position	\$ (79,787,281)

See Accompanying Notes to the Financial Statements

**Garden City Public Schools**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Position	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
<b>Functions/Programs</b>					
Governmental activities					
Instruction	\$ 32,447,010	\$ 23,375	\$ 14,344,560	\$ -	\$ (18,079,075)
Supporting services	18,295,186	-	7,609,186	-	(10,686,000)
Food services	1,495,313	464,606	1,078,472	-	47,765
Community services and other	524,397	591,440	-	-	67,043
Interest and fiscal charges on long-term debt	858,799	-	-	-	(858,799)
	<u>\$ 53,620,705</u>	<u>\$ 1,079,421</u>	<u>\$ 23,032,218</u>	<u>\$ -</u>	<u>(29,509,066)</u>
Total governmental activities					
General revenues					
					3,049,310
					2,803,537
					1,014,097
					24,847,058
					23,947
					106,000
					536,844
					<u>32,380,793</u>
					2,871,727
					<u>(82,659,008)</u>
					<u>\$ (79,787,281)</u>

See Accompanying Notes to the Financial Statements

**Garden City Public Schools**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2016**

	General Fund	Special Education Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 10,901,650	\$ -	\$ 4,112,522	\$ 15,014,172
Taxes receivable	245,642	-	216,131	461,773
Accounts receivable	22,486	-	52,238	74,724
Due from other funds	-	5,401,023	20,830	5,421,853
Due from other governmental units	6,938,137	153,478	10,005	7,101,620
Due from agency fund activities	218,459	-	-	218,459
Inventory	9,674	-	10,113	19,787
Prepaid items	170,514	-	-	170,514
<b>Total assets</b>	<b><u>\$ 18,506,562</u></b>	<b><u>\$ 5,554,501</u></b>	<b><u>\$ 4,421,839</u></b>	<b><u>\$ 28,482,902</u></b>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 669,202	\$ 80,273	\$ 96,910	\$ 846,385
State aid anticipation note payable	7,114,286	-	-	7,114,286
Due to other funds	6,377,708	-	1,090	6,378,798
Due to other governmental units	885,857	-	-	885,857
Due to agency fund activities	1,500	-	-	1,500
Payroll deductions and withholdings	19,293	-	-	19,293
Accrued expenditures	184,182	-	-	184,182
Accrued salaries payable	2,715,609	1,135,126	-	3,850,735
Unearned revenue	1,120,564	4,339,102	9,336	5,469,002
<b>Total liabilities</b>	<b><u>19,088,201</u></b>	<b><u>5,554,501</u></b>	<b><u>107,336</u></b>	<b><u>24,750,038</u></b>

See Accompanying Notes to the Financial Statements

**Garden City Public Schools  
Governmental Funds  
Balance Sheet  
June 30, 2016**

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance				
Non-spendable:				
Inventory	\$ 9,674	\$ -	\$ 10,113	\$ 19,787
Prepaid items	170,514	-	-	170,514
Restricted for				
Food service	-	-	414,031	414,031
Debt service	-	-	1,161,725	1,161,725
Sinking Fund	-	-	2,728,634	2,728,634
Unassigned (deficit)	<u>(761,827)</u>	<u>-</u>	<u>-</u>	<u>(761,827)</u>
Total fund balance (deficit)	<u>(581,639)</u>	<u>-</u>	<u>4,314,503</u>	<u>3,732,864</u>
Total liabilities and fund balances	<u>\$ 18,506,562</u>	<u>\$ 5,554,501</u>	<u>\$ 4,421,839</u>	<u>\$ 28,482,902</u>

See Accompanying Notes to the Financial Statements

**Garden City Public Schools**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2016**

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<b>Total fund balances for governmental funds</b>	<b>\$ 3,732,864</b>
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets - net of accumulated depreciation	23,284,563
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	599,089
Deferred inflows of resources resulting from net pension liability	(5,588,890)
Deferred outflows of resources resulting from net pension liability	8,155,031
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(239,767)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Net pension liability	(82,700,478)
Compensated absences	(1,150,314)
Bonds and notes payable	<u>(25,879,379)</u>
<b>Net position of governmental activities</b>	<b><u>\$(79,787,281)</u></b>

**Garden City Public Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2016**

	General Fund	Special Education Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local sources	\$ 4,371,969	\$ -	\$ 4,289,042	\$ 8,661,011
State sources	36,176,449	-	100,468	36,276,917
Federal sources	1,966,942	415,188	995,149	3,377,279
Interdistrict sources	580,911	7,490,314	-	8,071,225
	<u>43,096,271</u>	<u>7,905,502</u>	<u>5,384,659</u>	<u>56,386,432</u>
<b>Expenditures</b>				
Current				
Education				
Instruction	21,053,102	9,042,574	-	30,095,676
Supporting services	14,486,860	2,681,893	-	17,168,753
Food services	-	-	1,484,248	1,484,248
Community services	520,517	-	-	520,517
Intergovernmental payments	76,000	-	-	76,000
Facilities acquisition	-	-	32,957	32,957
Capital outlay	859,137	17,878	-	877,015
Debt service				
Principal	115,957	1,850	25,000	142,807
Interest and other expenditures	5,701	-	652,149	657,850
Bond issuance costs	-	-	171,817	171,817
Payment to bond refunding escrow agent	-	-	1,861,000	1,861,000
	<u>37,117,274</u>	<u>11,744,195</u>	<u>4,227,171</u>	<u>53,088,640</u>
	<u>5,978,997</u>	<u>(3,838,693)</u>	<u>1,157,488</u>	<u>3,297,792</u>

See Accompanying Notes to the Financial Statements

**Garden City Public Schools**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2016**

	General Fund	Special Education Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses)</b>				
Proceeds from refinancing debt	\$ -	\$ -	\$ 22,085,000	\$ 22,085,000
Payment to bond refunding escrow agent	-	-	(25,393,089)	(25,393,089)
Premium on issuance of bonds	-	-	3,479,906	3,479,906
Proceeds from notes and loans	332,580	-	-	332,580
Proceeds from sale of capital assets	106,000	-	-	106,000
Transfers in	1,185,365	5,024,058	-	6,209,423
Transfers out	(5,024,058)	(1,185,365)	-	(6,209,423)
 Total other financing sources (uses)	 (3,400,113)	 3,838,693	 171,817	 610,397
 Net change in fund balance	 2,578,884	 -	 1,329,305	 3,908,189
 Fund balance (deficit) - beginning	 (3,160,523)	 -	 2,985,198	 (175,325)
 Fund balance (deficit) - ending	 \$ (581,639)	 \$ -	 \$ 4,314,503	 \$ 3,732,864

See Accompanying Notes to the Financial Statements

**Garden City Public Schools**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2016**

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<b>Net change in fund balances - Total governmental funds</b>	<b>\$ 3,908,189</b>
<p>Total change in net position reported for governmental activities in the statement of activities is different because</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Depreciation expense	(1,727,399)
Capital outlay	542,688
<p>Expenses are recorded when incurred in the statement of activities.</p>	
Interest	(29,132)
Compensated absences	67,294
<p>The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.</p>	
Net change in net pension liability	(3,833,383)
Net change in the deferred inflow of resources related to the net pension liability	4,365,121
Net change between actual pension contributions and the cost of benefits earned net of employee contributions	(1,921,061)
<p>Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.</p>	
Note proceeds	(25,897,486)
Repayments of long-term debt	26,797,807
Deferred amount on refunding	599,089
<b>Change in net position of governmental activities</b>	<b>\$ 2,871,727</b>

See Accompanying Notes to the Financial Statements

**Garden City Public Schools**  
**Proprietary Fund**  
**Internal Service Fund**  
**Statement of Net Position**  
**June 30, 2016**

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	<u>Internal Service Fund</u>
<b>Assets</b>	
Due from other funds	\$ 956,945
<b>Liabilities</b>	
Liabilities	
Early retirement incentive	660,500
Other post employment benefits	<u>296,445</u>
Total liabilities	<u>\$ 956,945</u>

See Accompanying Notes to the Financial Statements

**Garden City Public Schools**  
**Proprietary Fund**  
**Internal Service Fund**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Year Ended June 30, 2016**

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	<u>Internal Service Fund</u>
<b>Revenues</b>	
Charges to other funds	\$ 15,073
<b>Expenses</b>	
Other post employment benefits	<u>15,073</u>
Net income	<u>-</u>
Net position - beginning	<u>-</u>
Net position - ending	<u>\$ -</u>

See Accompanying Notes to the Financial Statements

**Garden City Public Schools  
Proprietary Fund  
Internal Service Fund  
Statement of Cash Flows  
For the Year Ended June 30, 2016**

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	<u>Internal Service Fund</u>
<b>Cash flows from operating activities</b>	
Charges to other funds	\$ 15,073
Other post employment benefits	<u>(15,073)</u>
Net cash used by operating activities	<u>-</u>
Cash - beginning of year	<u>-</u>
Cash - end of year	<u>\$ -</u>
 <b>Reconciliation of operating income to net cash from operating activities</b>	
Operating income	\$ -
Adjustments to reconcile operating income to net cash from operating activities	
Changes in assets and liabilities	
Due from other funds	269,427
Early retirement incentives	(284,500)
Other post employment benefits	<u>15,073</u>
<b>Net cash used by operating activities</b>	<u><u>\$ -</u></u>

See Accompanying Notes to the Financial Statements

**Garden City Public Schools**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2016**

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	Private Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash	\$ 110,728	\$ 586,571
Due from other funds	1,500	-
Total assets	\$ 112,228	\$ 586,571
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 693
Due to other funds	-	218,459
Due to agency fund activities	-	367,419
Total liabilities	-	\$ 586,571
<b>Net Position</b>		
Assets held for scholarships	\$ 112,228	

See Accompanying Notes to the Financial Statements

**Garden City Public Schools**  
**Fiduciary Funds**  
**Private Purpose Trust Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2016**

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	<u>Private Purpose Trust Funds</u>
<b>Additions</b>	
Local sources	\$ 16,193
Interest and investment earnings	<u>52</u>
Total additions	<u>16,245</u>
<b>Deductions</b>	
Scholarships	<u>11,950</u>
Change in net position	4,295
Net position - beginning	<u>107,933</u>
Net position - ending	<u><u>\$ 112,228</u></u>

See Accompanying Notes to the Financial Statements

**Garden City Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of Garden City Public Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

**District-wide Financial Statements**

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

**Fund Financial Statements**

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as

**Garden City Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2016**

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under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The proprietary fund and the fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

Proprietary funds distinguish operating revenue and expenses from non-operating 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 only proprietary fund maintained is an Internal Service Fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Special Education Fund – The Special Education Fund consists of those activities involved in operating the programs necessary to provide for the education of students identified as needing special education services. The Fund's revenue sources include property taxes, federal and state sources, and inter-governmental reimbursements.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include the Food Service Fund. Operating deficits generated by these activities are generally transferred from the General Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on the 2016 refunding issue of long-term debt.

Sinking Fund – The Sinking Fund is used to record the property tax levy and other revenue and the disbursement of invoices specifically for acquiring new technology.

Internal Service Fund – The School District's proprietary fund is the Internal Service Fund. The purpose of the fund is to finance services provided to other funds of the School District on a cost-reimbursement basis. The Internal Service Fund maintained by the School District accounts for early retirement incentives and other postemployment benefits. It is funded through charges primarily from the General Fund.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Trust Funds are funds entrusted to the School District for scholarship awards. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

**Garden City Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Assets, Liabilities and Net Position or Equity**

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2016, the rates are as follows per \$1,000 of assessed value.

General Fund	
Non-principal residence exemption	18.0000
Commercial personal property	6.0000
Debt Service Funds	5.5000
Sinking Fund	2.0000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District’s boundaries. All of the School District’s tax roll lies within Wayne County.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of February 28 are purchased by Wayne County and remitted to the School District by June 30.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	25-50 years
Equipment and furniture	5-20 years
Buses and other vehicles	5-8 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financial statements. The amounts represent the difference between the reacquisition price and net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be

**Garden City Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2016**

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amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce the net pension liability in the following year.

Compensated Absences – The liability for compensated absences reported in the district-wide financial statements consists of earned but unused accumulated vacation and sick leave benefits and early retirement incentive obligations. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Other Postemployment Benefits – The liability for other postemployment benefits reported in the district-wide statements consists of contractual obligations for the School District to reimburse eligible retirees for health insurance premiums.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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. In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums

received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

**Garden City Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2016**

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Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for a specific purpose. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by Board of Education. The Board of Education has the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

The School District has adopted a minimum fund balance policy. The fund balance policy proscribes the minimum fund balance as 15 percent of the current fiscal year's total budgeted expenditures. This is deemed to be a prudent amount to maintain the School District's ability to meet obligations as they come due throughout the year. The District is out of compliance with their policy.

**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, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**Eliminations and Reclassifications**

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

**Adoption of New Accounting Standards**

The Governmental Accounting Standards Board ("The GASB") has issued Statement No. 72 *Fair Value Measurements and Applications*. Statement 72 provides guidance for accounting and financial reporting issues related to fair value measurement. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The guidance establishes a three level hierarchy of inputs for valuation of fair value. Statement 72 is effective for the year ending June 30, 2016.

**Garden City Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2016**

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GASB No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement 76 is effective for the year ending June 30, 2016.

GASB No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria that, if met, permit external investment pools to elect to measure all of their investments at amortized cost for financial reporting purposes. Also, it establishes additional disclosure requirements for qualifying external investment pools that make that election and for governments that participate in such external investment pools. Statement 79 is effective for the year ending June 30, 2016.

GASB No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of

payments made by employers to satisfy employee (plan member) contribution requirements. Statement 82 is effective for the year ending June 30, 2016.

**Upcoming Accounting and Reporting Changes**

In addition, the Governmental Accounting Standards Board has released the following Statements.

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other postemployment benefits plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending June 30, 2017.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

GASB Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are

**Garden City Public Schools**  
**Notes to the Financial Statements**  
**June 30, 2016**

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entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

The School District is evaluating the impact that the above GASBs will have on its financial reporting.

**Note 2 – Stewardship, Compliance, and Accountability**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the activity level. State law requires the School District to have its budget

in place by July 1. A school district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent and Chief Financial Officer are authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year.

**District-Wide Deficits**

The School District has an unrestricted net position deficit for District-Wide activities in the amount of \$81,866,290 as of June 30, 2016.

**Fund Deficits**

The School District has an accumulated fund balance deficit in the General Fund in the amount of \$581,639 as of June 30, 2016. The School District has filed a deficit elimination plan with the State of Michigan, which the School District is in compliance with as of year end.

**Compliance Sinking Funds**

The Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, management believes the School District has complied, in all material respects with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 2004-4.

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**Note 3 – Deposits and Investments**

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 15,014,172	\$ 697,299	\$ 15,711,471

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	<u>\$ 15,711,471</u>
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Interest rate risk – This is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's policy minimized interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and investment operating funds primarily in short-term securities, liquid asset funds, money market mutual funds, or similar instrument pools and limiting the average maturity in accordance with the School District's cash requirements.

Credit risk – State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District does not have an investment policy further limiting its investment choices. The School District does not have a policy for credit risk and does not have any investments held at year end subject to credit risk.

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

Concentration of credit risk – The School District places no limit on the amount the School District may invest in any one issuer. The School District does not have investments in any one issuer of more than 5 percent of the School District's total investments.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, \$15,728,050 of the School District's bank balance of \$16,027,944 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have a policy for custodial credit risk of investments and does not have investments with custodial credit risk.

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**Note 4 – Capital Assets**

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets being depreciated				
Buildings and site improvements	\$ 54,535,870	\$ 43,737	\$ -	\$ 54,579,607
Equipment and furniture	4,693,879	83,226	-	4,777,105
Buses and other vehicles	<u>1,754,467</u>	<u>415,725</u>	<u>267,490</u>	<u>1,902,702</u>
Total capital assets being depreciated	<u>60,984,216</u>	<u>542,688</u>	<u>267,490</u>	<u>61,259,414</u>
Less accumulated depreciation for				
Buildings and site improvements	31,273,396	1,505,573	-	32,778,969
Equipment and furniture	3,797,610	147,628	-	3,945,238
Buses and other vehicles	<u>1,443,936</u>	<u>74,198</u>	<u>267,490</u>	<u>1,250,644</u>
Total accumulated depreciation	<u>36,514,942</u>	<u>1,727,399</u>	<u>267,490</u>	<u>37,974,851</u>
Net capital assets being depreciated	<u>24,469,274</u>	<u>(1,184,711)</u>	<u>-</u>	<u>23,284,563</u>
Net capital assets	<u>\$ 24,469,274</u>	<u>\$ (1,184,711)</u>	<u>\$ -</u>	<u>\$ 23,284,563</u>

Depreciation expense was charged to activities of the School District as follows:

<b>Governmental activities</b>	
Instruction	\$ 1,209,179
Supporting services	<u>518,220</u>
Total governmental activities	<u>\$ 1,727,399</u>

**Construction Contracts**

As of year end, the School District has the following construction contracts in progress:

	Total Contract	Remaining Construction Commitment at Year End	Contract Payable at Year End
High school paving project	\$ 1,999,144	\$ 1,966,188	\$ 5,754

**Note 5 – Interfund Receivables, Payables, and Transfers**

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
General Fund	Special Education Fund	\$ 5,401,023
General Fund	Nonmajor Governmental Funds	20,830
General Fund	Internal Service Fund	956,945
Fiduciary Funds	General Fund	218,459
Nonmajor Governmental Funds	General Fund	1,090
General Fund	Fiduciary Funds	<u>1,500</u>
		<u>\$ 6,599,847</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between pooled cash funds are made.

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Interfund transfers consist of the following:

	Transfers Out		
	General Fund	Special Education Fund	Total
<u>Transfers in</u>			
General Fund	\$ -	\$ 1,185,365	\$ 1,185,365
Special Education Fund	<u>5,024,058</u>	<u>-</u>	<u>5,024,058</u>
	<u>\$ 5,024,058</u>	<u>\$ 1,185,365</u>	<u>\$ 6,209,423</u>

Transfers from the General Fund to the Special Ed Fund were for excess costs related to operations for the Special Education Fund. The transfers from the Special Ed Fund to the General Fund were for indirect costs related to operating the Special Ed Fund.

**Note 6 – Unearned Revenue**

Governmental funds report revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

	Unearned
Interdistrict special education payments	\$ 4,339,102
Summer School and preschool tuition	18,791
Food service student balances	9,336
Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>1,101,773</u>
Total	<u>\$ 5,469,002</u>

**Note 7 – State Aid Anticipation Note**

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30<sup>th</sup>.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ 7,080,182	\$ 9,000,000	\$ 8,965,896	\$ 7,114,286

The state aid anticipation note agreement includes an irrevocable set aside of \$1,885,714 at year end that is considered defeased debt and not included in the ending balance.

**Note 8 – Long-Term Debt**

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

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Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 26,680,000	\$ 22,085,000	\$ 26,680,000	\$ 22,085,000	\$ 1,335,000
Notes	95,907	332,580	114,014	314,473	113,218
Capital leases	3,793	-	3,793	-	-
Compensated absences	1,217,608	-	67,294	1,150,314	-
Retirement incentives	945,000	10,000	294,500	660,500	312,000
Other postemployment benefits	281,372	15,073	-	296,445	-
Premium on bonds	-	3,479,906	-	3,479,906	-
<b>Total</b>	<b>\$ 29,223,680</b>	<b>\$ 25,922,559</b>	<b>\$ 27,159,601</b>	<b>\$ 27,986,638</b>	<b>\$ 1,760,218</b>

General obligation bonds payable at year end, consist of the following:

\$22,085,000 of 2016 refunding bond due in annual installments of \$1,335,000 to \$1,540,000 through 5/1/31, interest at 4.00 - 5.00% \$ 22,085,000

Future principal and interest requirements for bonded debt are as follows:

	Principal	Interest	Total
<b>Year Ending June 30,</b>			
2017	\$ 1,335,000	\$ 1,270,514	\$ 2,605,514
2018	1,470,000	1,022,800	2,492,800
2019	1,360,000	964,000	2,324,000
2020	1,400,000	896,000	2,296,000
2021	1,445,000	826,000	2,271,000
2022 - 2026	7,585,000	3,013,750	10,598,750
2027 - 2031	7,490,000	1,115,250	8,605,250
<b>Total</b>	<b>\$ 22,085,000</b>	<b>\$ 9,108,314</b>	<b>\$ 31,193,314</b>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$1,161,725 to pay this debt. Future debt and interest will be payable from future tax

levies. Capital leases and compensated absences will be liquidated with funds from the General Fund and the Special Education Fund. The notes will be liquidated with funds from the General Fund and the other post-employment benefits will be paid from the Internal Service Fund.

Notes payable at year end, consist of the following:

\$332,580 for a bus loan due in annual installments of \$65,000 to \$67,000 through 5/1/2020, interest at 1.75% \$ 314,473

Future principal and interest requirements for the note are as follows:

	Principal	Interest	Total
<b>Year Ending June 30,</b>			
2017	\$ 113,218	\$ 5,188	\$ 118,406
2018	66,527	3,232	69,759
2019	67,696	2,063	69,759
2020	67,032	873	67,905
	<u>\$ 314,473</u>	<u>\$ 11,356</u>	<u>\$ 325,829</u>

**Compensated Absences**

Accrued compensated absences at year end, consist of \$213,087 of vacation hours earned and vested, \$920,896 in accrued sick time benefits, and \$16,331 in compensatory hours earned. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

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**Retirement Benefits**

The School District offered a voluntary severance incentive plan to employees to be paid over a three year period through 2019. The balance as of year end was \$660,500.

Future payments are as follows:

<b>Year Ending June 30,</b>	
2017	\$ 312,000
2018	287,500
2019	<u>61,000</u>
 Total	 <u>\$ 660,500</u>

**Advance Refunding**

On February 26, 2016, the School District issued general obligation bonds of \$22,085,000 (par value) with an interest rate of 4% to 5% to advance refund term bonds with an interest rate of 4% to 5% and a par value of \$26,680,000. The term bonds matured on May 1, 2016. The general obligation bonds were issued at a premium and after paying issuance costs of \$111,083, the net proceeds were \$27,425,906. The net proceeds from the issuance of the general obligation bonds were deposited with an escrow agent to provide debt service payments until the term bonds matured. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the School District's financial statements.

As a result of the advance refunding, the School District reduced its total debt service requirements by \$3,829,861, which resulted in an economic gain of \$3,077,256.

**Deferred Amount on Refunding**

The 2016 advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$599,089. This amount is reported in the accompanying statement of

net position as a deferred inflow of resources and is being charged to activities through fiscal year 2031.

Debt refunding activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
Deferred amount on refunding	\$ -	\$ 599,089	\$ -	\$ 599,089

**Note 9 – Risk Management**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District participates in the Michigan Association for Improved School Legislation (MAISL) risk pool for claims relating to property loss, torts, errors and omissions, cyber liability and employee injuries (workers' compensation); the School District is insured for vision and dental claims.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

**Note 10 – Pension Plans and Post-Employment Benefits**

**Organization**

The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State), originally created under Public Act 136 of 1945, recodified, and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the

**Garden City Public Schools**  
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System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available at [www.michigan.gov/mpsers-cafr](http://www.michigan.gov/mpsers-cafr).

**Benefits Provided**

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for DB plan members are determined by final average compensation and years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

**Contributions and Funding Status**

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21 year period for the plan's 2015 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2015.

Pension Contribution Rates		
<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0%	22.52 - 23.07%
Member Investment Plan	3.0 - 7.0	22.52 - 23.07
Pension Plus	3.0 - 6.4	21.99
Defined Contribution	0.0	17.72 - 18.76

Required contributions to the pension plan from the School District were \$6,531,823 for the year ending September 30, 2015.

**Net Pension Liability**

June 30, 2016, the School District reported a liability of \$82,700,478 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014. The School District's proportionate share of the net pension

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liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2015, the School District's proportionate share percent was .3386 percent, which was a decrease of .0195 percent since the prior measurement date.

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

For the year ended June 30, 2016, the School District recognized total pension expense of \$6,013,718. The School District's actual contributions for the years ended June 30, 2016, 2015, and 2014 and were \$4,506,288, \$6,456,147, and \$7,547,512, respectively.

At June 30, 2016, the School District 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	\$ -	\$ 273,928
Changes in assumptions	2,036,261	-
Net difference between projected and actual earnings on pension plan investments	422,119	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	334	3,627,976
Employer contributions subsequent to the measurement date	<u>6,118,436</u>	<u>2,109,105</u>
	<u>\$ 8,577,150</u>	<u>\$ 6,011,009</u>

\$6,118,436 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. \$2,109,105 reported as deferred inflows of resources relating to pensions resulting from employer contributions subsequent to the measurement date are 147c revenues received that will be recognized in the year ended June 30, 2017 when the related payments reduce the net pension liability.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ending September 30	Amount:
2016	\$ (744,178)
2017	(744,178)
2018	(854,606)
2019	899,772
Total	<u>\$ (1,443,190)</u>

**Actuarial Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

*Summary of Actuarial Assumptions:*

- Valuation Date: September 30, 2014
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of returns:
  - MIP and Basic Plans (Non-Hybrid): 8.0%
  - Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5-12.3%, including wage inflation at 3.5%

- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Healthcare Cost Trend Rate: 8.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (4.7158 for non-university employers). The recognition period for assets in years is 5.0000. Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report (CAFR) ([www.michigan.gov/mpsers-cafr](http://www.michigan.gov/mpsers-cafr)).

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments was determined using a building-block method 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.

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Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.9
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.9
Real Estate and Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	2.0	0.0
	<u>100.0%</u>	

\*Long term rate of return does not include 2.1% inflation

**Discount Rate**

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long- term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member 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 member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the School District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%
\$ 106,622,117	\$ 82,700,478	\$ 62,533,558

\*Non-university employers, the Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.

**Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR. See the 2015 MPERS CAFR ([www.michigan.gov/mpsers-cafr](http://www.michigan.gov/mpsers-cafr)).

**Payables to the Pension Plan**

There were no significant payables to the pension plan that are not ordinary accruals to the district.

**Post-Employment Benefits**

In addition to the pension benefits described above, state law requires the School District to provide post-employment healthcare benefits for eligible retirees and beneficiaries through the Michigan Public School Employees Retirement System (MPERS).

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The 2012 Retirement Reform included changes to retiree healthcare benefits. New employees hired after the effective date who elect this benefit are enrolled in the defined contribution Personal Healthcare Fund. This establishes a portable tax-deferred account in which the participant contributes up to 2% of their salary, and receives up to a 2% employer match. These funds can be used to pay for healthcare expenses in retirement.

Employees working prior to the enactment of the 2012 Retirement Reform have two options: (a) the Personal Healthcare Fund, or (b) the defined benefit Premium Subsidy benefit.

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health, dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors.

For the periods July 1, 2015 through September 30, 2015, and October 1, 2015 through June 30, 2016, the employer contribution rate ranged from 2.20% to 2.71% and 6.40% to 6.83%, respectively.

The School District's actual contributions match the required contributions for the years ended June 30, 2016, 2015, and 2014 and were approximately \$1,686,063, \$854,879, and \$1,455,612, respectively.

**Unfunded Accrued Liability**

During the year ending June 30, 2016, the School District had contributions in the amount of \$3,247,275 to the MPSERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 10.53% for the year ending June 30, 2016.

**Note 11 – Other Post-Employment Benefits**

**Plan Description**

The School District has an obligation to pay healthcare premiums for eligible early retirees in amounts not to exceed \$1,500 per year, per individual, until the retiree reaches the age of 65. Currently, the plan has approximately 700 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

This is a single employer defined benefit plan administered by the School District. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement.

**Funding Policy**

The School District has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a “pay-as-you-go” basis).

**Funding Progress**

For the year ended June 30, 2016, the School District has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2016. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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This valuation computed contribution and actual funding are summarized as follows:

	2016	2015
Annual required contribution (recommended)	\$ 82,716	\$ 87,395
Interest on the prior year's net OPEB obligation	11,255	11,458
Less adjustment to the annual required contribution	(18,212)	(18,065)
Annual OPEB cost	75,759	80,788
Amounts contributed - Payments of current premiums	(60,686)	(85,866)
Change in net OPEB obligation	15,073	(5,078)
OPEB obligation - Beginning of year	281,372	286,450
OPEB obligation - End of year	\$ 296,445	\$ 281,372

The annual OPEB costs, the percentage contributed to the plan and the net OPEB obligation for the current year were as follows:

	2015
Annual OPEB costs	\$ 80,788
Percentage contributed	31%
Net OPEB obligation	\$ 281,372

The funding progress of the plan as of the most recent valuation date is as follows:

	2015
Market value of assets	\$ -
Actuarial accrued liability (AAL)	(1,113,329)
Unfunded AAL (UAAL)	\$ (1,113,329)
Funded ratio	0%

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016 actuarial valuation, the projected unit credit (level dollar) actuarial cost method was used. The actuarial assumptions included a 4.0 percent discount rate and life expectancies based on IRS 1.430(h) Non-annuitant and IRS 1.430(h) Annuitant Tables. The UAAL is being amortized as a level dollar amortization method on a closed basis. The remaining amortization period at June 30, 2016 was 28 years.

**Note 12 – Subsequent Events**

In August 2016 the District took another State Aid Note amounting to \$2,000,000. The current State Aid Note was paid off.

## REQUIRED SUPPLEMENTARY INFORMATION

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**Garden City Public Schools**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Local sources	\$ 3,831,639	\$ 4,299,872	\$ 4,371,969	\$ 72,097
State sources	37,152,356	36,286,474	36,176,449	(110,025)
Federal sources	2,147,245	2,102,148	1,966,942	(135,206)
Interdistrict sources	<u>722,267</u>	<u>681,000</u>	<u>580,911</u>	<u>(100,089)</u>
Total revenues	<u>43,853,507</u>	<u>43,369,494</u>	<u>43,096,271</u>	<u>(273,223)</u>
<b>Expenditures</b>				
Instruction				
Basic programs	17,062,225	15,865,868	15,670,754	(195,114)
Added needs	5,812,973	5,472,400	5,382,348	(90,052)
Supporting services				
Pupil	2,915,652	2,934,264	2,815,160	(119,104)
Instructional staff	1,850,478	1,672,402	1,469,943	(202,459)
General administration	509,491	518,627	500,425	(18,202)
School administration	2,651,089	2,521,882	2,388,291	(133,591)
Business	967,196	1,005,989	961,174	(44,815)
Operations and maintenance	3,713,481	3,386,804	3,289,702	(97,102)
Pupil transportation services	1,282,771	1,444,141	1,366,727	(77,414)
Central	1,417,161	1,347,220	1,294,033	(53,187)
Athletic activities	413,541	434,316	367,149	(67,167)
Other	60,000	29,074	34,256	5,182
Community services	493,167	514,164	520,517	6,353
Intergovernmental payments	68,500	76,000	76,000	-
Capital outlay	200,929	957,050	859,137	(97,913)

**Garden City Public Schools**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Debt service				
Principal	\$ 176,217	\$ 176,059	\$ 115,957	\$ (60,102)
Interest and fiscal charges	8,000	8,000	5,701	(2,299)
Total debt service	<u>184,217</u>	<u>184,059</u>	<u>121,658</u>	<u>(62,401)</u>
Total expenditures	<u>39,602,871</u>	<u>38,364,260</u>	<u>37,117,274</u>	<u>(1,246,986)</u>
Excess (deficiency) of revenues over expenditures	<u>4,250,636</u>	<u>5,005,234</u>	<u>5,978,997</u>	<u>973,763</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from notes and loans	-	332,580	332,580	-
Proceeds from sale of capital assets	290,000	106,000	106,000	-
Transfers in	2,831,330	1,560,000	1,185,365	(374,635)
Transfers out	<u>(5,700,000)</u>	<u>(5,100,000)</u>	<u>(5,024,058)</u>	<u>(75,942)</u>
Total other financing sources (uses)	<u>(2,578,670)</u>	<u>(3,101,420)</u>	<u>(3,400,113)</u>	<u>(298,693)</u>
Net change in fund balance	1,671,966	1,903,814	2,578,884	675,070
Fund balance - beginning	<u>(3,160,523)</u>	<u>(3,160,523)</u>	<u>(3,160,523)</u>	<u>-</u>
Fund balance - ending	<u>\$ (1,488,557)</u>	<u>\$ (1,256,709)</u>	<u>\$ (581,639)</u>	<u>\$ 675,070</u>

**Garden City Public Schools**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - Special Education Fund**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
State sources	\$ 5,248,072	\$ -	\$ -	\$ -
Federal sources	438,000	415,188	415,188	-
Interdistrict sources	<u>11,086,486</u>	<u>8,283,156</u>	<u>7,490,314</u>	<u>(792,842)</u>
Total revenues	<u>16,772,558</u>	<u>8,698,344</u>	<u>7,905,502</u>	<u>(792,842)</u>
<b>Expenditures</b>				
Current				
Education				
Instruction	10,409,061	9,388,855	9,042,574	(346,281)
Supporting services	2,941,847	2,778,994	2,681,893	(97,101)
Facilities acquisition	55,100	50,000	-	(50,000)
Capital outlay	2,000	18,573	17,878	(695)
Debt service				
Principal	<u>14,550</u>	<u>1,922</u>	<u>1,850</u>	<u>(72)</u>
Total expenditures	<u>13,422,558</u>	<u>12,238,344</u>	<u>11,744,195</u>	<u>(494,149)</u>
Excess (deficiency) of revenues over expenditures	<u>3,350,000</u>	<u>(3,540,000)</u>	<u>(3,838,693)</u>	<u>(298,693)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	5,100,000	5,024,058	(75,942)
Transfers out	<u>(3,350,000)</u>	<u>(1,560,000)</u>	<u>(1,185,365)</u>	<u>(374,635)</u>
Total other financing sources (uses)	<u>(3,350,000)</u>	<u>3,540,000</u>	<u>3,838,693</u>	<u>298,693</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Garden City Public Schools**  
**Required Supplementary Information**  
**Schedule of the School District's Proportionate Share of the Net Pension Liability**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years (Measurement Date September 30th)**

	June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
School District's proportion of net pension liability (%)	0.33860%	0.35806%								
School District's proportionate share of net pension liability	\$ 82,700,478	\$ 78,867,095								
School District's covered-employee payroll	\$ 28,234,957	\$ 30,446,145								
School District's proportionate share of net pension liability as a percentage of its covered- employee payroll	34.14%	38.60%								
Plan fiduciary net position as a percentage of total pension liability	63.17%	66.20%								

**Garden City Public Schools**  
**Required Supplementary Information**  
**Schedule of the School District's Contributions**  
**Michigan Public School Employees Retirement Plan**  
**Last 10 Fiscal Years**

	For the Years Ended June 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution:	\$ 4,506,288	\$ 6,456,147								
Contributions in relation to statutorily required contributions	<u>4,506,288</u>	<u>6,456,147</u>								
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
School District's covered-employee payroll	23,660,641	29,029,317								
Contributions as a percentage of covered-employee payroll	19.05%	22.24%								

Notes: Benefit Changes - There were no changes of benefit terms in 2016. Changes in Assumptions – There were no changes of benefit assumptions in 2016.

## OTHER SUPPLEMENTARY INFORMATION

**Garden City Public Schools  
Other Supplemental Information  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2016**

	Special Revenue Fund	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
	Food Service	2016 Refunding Bond	Sinking Fund	
<b>Assets</b>				
Cash	\$ 445,739	\$ 984,884	\$ 2,681,899	\$ 4,112,522
Taxes receivable	-	162,552	53,579	216,131
Accounts receivable	52,238	-	-	52,238
Due from other funds	6,541	14,289	-	20,830
Due from other governmental units	10,005	-	-	10,005
Inventory	10,113	-	-	10,113
<b>Total assets</b>	<b>\$ 524,636</b>	<b>\$ 1,161,725</b>	<b>\$ 2,735,478</b>	<b>\$ 4,421,839</b>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 91,156	\$ -	\$ 5,754	\$ 96,910
Due to other funds	-	-	1,090	1,090
Unearned revenue	9,336	-	-	9,336
<b>Total liabilities</b>	<b>100,492</b>	<b>-</b>	<b>6,844</b>	<b>107,336</b>
<b>Fund Balance</b>				
Non-spendable				
Inventory	10,113	-	-	10,113
Restricted for				
Food service	414,031	-	-	414,031
Debt service	-	1,161,725	-	1,161,725
Sinking fund	-	-	2,728,634	2,728,634
<b>Total fund balance</b>	<b>424,144</b>	<b>1,161,725</b>	<b>2,728,634</b>	<b>4,314,503</b>
<b>Total liabilities and fund balance</b>	<b>\$ 524,636</b>	<b>\$ 1,161,725</b>	<b>\$ 2,735,478</b>	<b>\$ 4,421,839</b>

**Garden City Public Schools**  
**Other Supplemental Information**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2016**

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	2016 Refunding Bond	Sinking Fund	
<b>Revenues</b>				
Local sources	\$ 464,606	\$ 2,809,090	\$ 1,015,346	\$ 4,289,042
State sources	83,323	17,145	-	100,468
Federal sources	995,149	-	-	995,149
Total revenues	<u>1,543,078</u>	<u>2,826,235</u>	<u>1,015,346</u>	<u>5,384,659</u>
<b>Expenditures</b>				
Current				
Education				
Food services	1,484,248	-	-	1,484,248
Facilities acquisition	-	-	32,957	32,957
Debt service				
Principal	-	25,000	-	25,000
Interest and other expenditures	-	647,086	5,063	652,149
Bond issuance costs	-	171,817	-	171,817
Payment to bond refunding escrow agent	-	1,861,000	-	1,861,000
Total expenditures	<u>1,484,248</u>	<u>2,704,903</u>	<u>38,020</u>	<u>4,227,171</u>
Excess (deficiency) of revenues over expenditures	<u>58,830</u>	<u>121,332</u>	<u>977,326</u>	<u>1,157,488</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from refinancing debt	-	22,085,000	-	22,085,000
Payment to bond refunding escrow agent	-	(25,393,089)	-	(25,393,089)
Premium on issuance of bonds	-	3,479,906	-	3,479,906
Total other financing sources (uses)	<u>-</u>	<u>171,817</u>	<u>-</u>	<u>171,817</u>
Net change in fund balance	58,830	293,149	977,326	1,329,305
Fund balance - beginning	<u>365,314</u>	<u>868,576</u>	<u>1,751,308</u>	<u>2,985,198</u>
Fund balance - ending	<u>\$ 424,144</u>	<u>\$ 1,161,725</u>	<u>\$ 2,728,634</u>	<u>\$ 4,314,503</u>

**Garden City Public Schools  
Other Supplemental Information  
Schedule of Outstanding Bonded Indebtedness  
June 30, 2016**

Year Ending June 30,	2016 Refunding
2017	\$ 1,335,000
2018	1,470,000
2019	1,360,000
2020	1,400,000
2021	1,445,000
2022	1,480,000
2023	1,525,000
2024	1,540,000
2025	1,525,000
2026	1,515,000
2027	1,530,000
2028	1,515,000
2029	1,500,000
2030	1,480,000
2031	<u>1,465,000</u>
Total	<u>\$ 22,085,000</u>
Principal payments due the first day of	May
Interest payments due the first day of	May and November
Interest rate	4.00% - 5.00%
Original issue	<u>\$ 22,085,000</u>