

School District of the City of Garden City

**Financial Report
with Supplemental Information
June 30, 2007**

School District of the City of Garden City

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Independent Auditor's Report

To the Board of Education
School District of the City of Garden City

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of the City of Garden City as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District of the City of Garden City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the School District of the City of Garden City as of June 30, 2007 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Education
School District of the City of Garden City

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of the City of Garden City's basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not a required part of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2007 on our consideration of the School District of the City of Garden City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

November 1, 2007

School District of the City of Garden City

Management's Discussion and Analysis

This section of the School District of the City of Garden City's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2007. 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 School District of the City of Garden City 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 nonmajor funds. The remaining statements, the statement of fiduciary net assets and the statement of changes in fiduciary net assets, 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 Supplemental Information)

Budgetary Information for Major Funds

Other Supplemental 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 assets (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 revenues and expenses are taken into account regardless of when cash is received or paid.

School District of the City of Garden City

Management's Discussion and Analysis (Continued)

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets (deficit) - 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 assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues 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 assets (deficit) 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. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Debt, Food Service, Child Care, and Athletics 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 assets (deficit) and the statement of activities) and governmental funds in a reconciliation.

School District of the City of Garden City

Management's Discussion and Analysis (Continued)

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 assets. 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.

The School District as a Whole

Recall that the statement of net assets (deficit) provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets (deficit) as of June 30, 2007 and 2006.

TABLE I

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
	(in millions)	
Assets		
Current and other assets	\$ 14.0	\$ 18.7
Capital assets	<u>38.6</u>	<u>39.8</u>
Total assets	52.6	58.5
Liabilities		
Current liabilities	18.9	24.3
Long-term liabilities	<u>40.5</u>	<u>42.1</u>
Total liabilities	<u>59.4</u>	<u>66.4</u>
Net Assets (Deficit)		
Invested in property and equipment - Net of related debt	(2.0)	(1.7)
Restricted	1.0	0.4
Unrestricted	<u>(5.8)</u>	<u>(6.6)</u>
Total net assets (deficit)	<u>\$ (6.8)</u>	<u>\$ (7.9)</u>

School District of the City of Garden City

Management's Discussion and Analysis (Continued)

The above analysis focuses on the net assets (deficit) (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets (deficit) was (\$6.8 million) at June 30, 2007. 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 assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets (deficit), (\$5.8 million), was unrestricted.

The (\$5.8 million) in unrestricted net assets (deficit) 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 assets 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 assets for fiscal years 2007 and 2006.

TABLE 2

	Governmental Activities	
	2007	2006
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 1.5	\$ 1.5
Operating grants/Contributions	20.9	20.8
General revenue:		
Property taxes	6.3	5.7
State foundation allowance	38.2	36.5
Other	0.6	1.0
Total revenue	67.5	65.5

School District of the City of Garden City

Management's Discussion and Analysis (Continued)

TABLE 2 (Continued)

	Governmental Activities	
	2007	2006
	(in millions)	
Functions/Program Expenses		
Instruction	\$ 42.6	\$ 43.6
Support services	20.3	22.3
Community services	0.1	0.1
Child care	0.3	0.3
Food service	1.3	1.4
Athletics	0.4	0.4
Interest on long-term debt	1.4	1.8
Total functions/program expenses	<u>66.4</u>	<u>69.9</u>
Increase (Decrease) in Net Assets	<u>\$ 1.1</u>	<u>\$ (4.4)</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$66.4 million. Certain activities were partially funded from those who benefited from the programs (\$1.5 million), or by other governments and organizations that subsidized certain programs with grants and contributions (\$20.9 million). We paid for the remaining "public benefit" portion of our governmental activities with \$6.3 million in taxes, \$38.2 million in state foundation allowance, and with our other revenues, i.e., interest and general entitlements.

The School District experienced a \$1.1 million increase in net assets. 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.

School District of the City of Garden City

Management's Discussion and Analysis (Continued)

As the School District completed this year, the governmental funds reported a combined fund deficit of \$1,038,930, which is a decrease of \$1.2 million from last year. The primary reasons for the decrease are as follows:

In the General Fund, our principal operating fund, the fund balance decreased \$1.0 million to a \$2.3 million deficit from \$1.3 million at June 30, 2007. The change is mainly due to increases in salaries, benefits, and utilities costs, as well as a court ordered settlement with the Michigan Education Association (MEA) regarding privatization of the School Districts' custodians. Combined, the Debt Service Funds showed a fund balance increase of approximately \$557,000. This increase was due to a bond refunding for a large portion of the 2001 Building and Site bond which occurred in August 2006, after the debt levy was established for the year. Millage rates were increased .5 mills from the previous year to meet the biannual debt service obligations for all debt issues. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Durant debt obligations are funded by annual state appropriation, and no fund balance exists at year end. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

The Capital Projects Fund's fund balance decreased by approximately \$770,000 due to continued construction related to the 2001 bond issue. The construction project is considered substantially complete as of May 31, 2007.

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 revenues 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 actually adopted just before year end. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

There were revisions made to the 2006-2007 General Fund original budget. Budgeted revenues were increased by a net amount of \$3.2 million to reflect a reduction for revenue for anticipated property sales and the addition of \$3.6 million in state and federal programs previously budgeted for separately.

Budgeted expenditures were increased \$3.9 million to account for the increased cost of employee benefits, the court settlement with the MEA, and the addition of \$3.6 million in state and federal programs previously budgeted for separately.

There were no significant variances between the final budget and actual amounts.

School District of the City of Garden City

Management's Discussion and Analysis (Continued)

Special Education Special Revenue Fund Budgetary Highlights

The Special Education Center Program revenue and corresponding expenditure budget was decreased by \$0.6 million to recognize a decrease in actual versus projected expenditures. This decrease reflects lower costs due to the increased number of first-year teachers in the program which is attributed to a large number of teacher retirements in June 2006 when the School District offered a severance incentive package. The program is operated by the School District for Wayne County RESA to provide instructional and non-instructional services for autistic students from Wayne County.

There were no significant variances between the final budget and actual amounts.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2007, the School District had \$38.6 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>2007</u>	<u>2006</u>
Construction in progress	\$ 241,064	\$ 742,194
Buildings and building improvements	57,226,896	55,918,719
Buses and other vehicles	1,830,931	1,830,931
Furniture and equipment	<u>3,809,142</u>	<u>3,642,744</u>
Total capital assets	63,108,033	62,134,588
Less accumulated depreciation	<u>(24,514,314)</u>	<u>(22,330,811)</u>
Net capital assets	<u>\$ 38,593,719</u>	<u>\$ 39,803,777</u>

This year's capital asset additions included technology and building renovations. We present more detailed information about our capital assets in the notes to the financial statements.

School District of the City of Garden City

Management's Discussion and Analysis (Continued)

Debt

At the end of this year, the School District had \$40.0 million in bonds outstanding versus \$41.1 million in the previous year - a change of 2.7 percent. Those bonds consisted of the following:

	2007	2006
2006 General Obligation Bonds	\$ 23,825,000	\$ -
2005 General Obligation Bonds	7,865,000	7,880,000
2004 General Obligation Bonds	4,145,000	5,060,000
2001 General Obligation Bonds	2,490,000	26,465,000
Durant Non-Plaintiff Bonds	1,723,883	1,723,883
	<u>\$ 40,048,883</u>	<u>\$ 41,128,883</u>
Total bonds outstanding		

The School District's general obligation bond rating stands at AA. 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 \$40,048,883 is significantly below this \$103.8 million statutorily imposed limit.

Other obligations include accrued vacation pay, sick leave, early retirement incentives, and term notes. 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 2008 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2008 fiscal year is 25 percent and 75 percent of the February 2007 and September 2007 student counts, respectively. The 2008 budget was adopted in June 2007, based on an estimate of students that will be enrolled in September 2007. Approximately 64 percent of total General Fund revenue is from the foundation allowance. 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. Based on early enrollment data at the start of the 2007-2008 school year, we anticipate that the fall student count will be less than the estimates used in creating the 2008 budget. Once the final student count and related per pupil funding is validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

School District of the City of Garden City

Management's Discussion and Analysis (Continued)

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts.

School District of the City of Garden City

Statement of Net Assets (Deficit) June 30, 2007

	Governmental Activities
Assets	
Cash and cash equivalents (Note 3)	\$ 4,276,311
Receivables - Net (Note 4)	7,498,075
Inventory	40,727
Prepaid costs	1,890,335
Restricted assets	286,544
Capital assets - Net (Note 5)	<u>38,593,719</u>
Total assets	52,585,711
Liabilities	
Accounts payable	493,385
Accrued payroll and other liabilities	7,672,358
State aid anticipation note (Note 10)	7,500,000
Deferred revenue (Note 4)	432,098
Long-term liabilities (Note 7):	
Due within one year	2,799,715
Due in more than one year	<u>40,500,128</u>
Total liabilities	<u>59,397,684</u>
Net Assets (Deficit)	
Investment in capital assets - Net of related debt	(1,942,689)
Restricted - Debt service	951,652
Unrestricted (deficit)	<u>(5,820,936)</u>
Total net assets (deficit)	<u><u>\$ (6,811,973)</u></u>

School District of the City of Garden City

Statement of Activities Year Ended June 30, 2007

	Program Revenues			Governmental
	Expenses	Charges for Services	Operating Grants/Contributions	Activities Net (Expense) Revenue and Changes in Net Assets
Functions/Programs				
Primary government - Governmental activities:				
Instruction	\$ 42,587,821	\$ 154,369	\$ 16,241,360	\$ (26,192,092)
Support services	20,289,808	-	4,060,341	(16,229,467)
Community services	85,699	342,927	-	257,228
Child care	291,986	316,932	-	24,946
Food service	1,332,941	618,917	620,225	(93,799)
Athletics	351,249	81,695	-	(269,554)
Interest on long-term debt	1,433,704	-	-	(1,433,704)
Total primary government - Governmental activities	<u>\$ 66,373,208</u>	<u>\$ 1,514,840</u>	<u>\$ 20,921,926</u>	(43,936,442)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				2,423,533
Property taxes, levied for debt services				3,847,113
State aid not restricted to specific purposes				38,215,560
Interest earnings				245,071
Other				336,208
				<u>45,067,485</u>
Change in Net Assets				1,131,043
Net Assets (Deficit) - Beginning of year				<u>(7,943,016)</u>
Net Assets (Deficit) - End of year				<u>\$ (6,811,973)</u>

School District of the City of Garden City

Governmental Funds Balance Sheet June 30, 2007

	General Fund	Special Education Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents (Note 3)	\$ 3,563,336	\$ -	\$ 999,519	\$ 4,562,855
Receivables - Net (Note 4)	368,154	-	278,047	646,201
Inventory	28,078	-	12,649	40,727
Due from other governmental units (Note 4)	6,839,377	-	3,547	6,842,924
Due from other funds (Note 6)	93,294	2,615	175,014	270,923
Due from Agency Fund (Note 4)	8,950	-	-	8,950
Prepaid costs	1,890,335	-	-	1,890,335
Total assets	<u>\$ 12,791,524</u>	<u>\$ 2,615</u>	<u>\$ 1,468,776</u>	<u>\$ 14,262,915</u>
Liabilities and Fund Balances (Deficit)				
Liabilities				
Accounts payable	\$ 491,417	-	\$ 1,968	\$ 493,385
Accrued payroll and other liabilities	6,464,151	1,016	-	6,465,167
State aid anticipation note (Note 10)	7,500,000	-	-	7,500,000
Due to other funds (Note 6)	56,078	-	214,845	270,923
Deferred revenue (Note 4)	556,173	1,599	14,598	572,370
Total liabilities	15,067,819	2,615	231,411	15,301,845
Fund Balances (Deficit)				
Reserved:				
Encumbrances (Note 5)	272,871	-	250,447	523,318
Prepays	1,890,335	-	-	1,890,335
Capital projects	-	-	35,266	35,266
Debt service	-	-	951,652	951,652
Unreserved - Undesignated	(4,439,501)	-	-	(4,439,501)
Total fund balances (deficit)	<u>(2,276,295)</u>	<u>-</u>	<u>1,237,365</u>	<u>(1,038,930)</u>
Total liabilities and fund balances (deficit)	<u>\$ 12,791,524</u>	<u>\$ 2,615</u>	<u>\$ 1,468,776</u>	<u>\$ 14,262,915</u>

School District of the City of Garden City

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets (Deficit) June 30, 2007

Fund Balance - Total Governmental Funds \$ (1,038,930)

Amounts reported for governmental activities in the statement of net assets (deficit) are different because:

Capital assets used in governmental activities are not reported in the governmental funds:

Cost of capital assets	\$ 63,108,033	
Accumulated depreciation	<u>(24,514,314)</u>	38,593,719

Other long-term assets not available to pay current period expenditures are therefore deferred in the governmental funds	140,272
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Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Bonds payable	(40,048,883)
Notes payable	(451,164)
Compensated absences	(2,721,979)
Terminated employee severance	(77,817)

Self-insurance accrual is not included as a liability in governmental funds	(882,829)
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Accrued interest payable is not included as a liability in governmental funds	<u>(324,362)</u>
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Net Assets (Deficit) - Governmental Activities **\$ (6,811,973)**

School District of the City of Garden City

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended June 30, 2007

	General Fund	Special Education Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue				
Local sources	\$ 3,069,565	\$ 56,042	\$ 4,968,319	\$ 8,093,926
State sources	38,997,356	4,605,018	95,749	43,698,123
Federal sources	1,883,119	-	524,476	2,407,595
Interdistrict sources and other	1,522,395	11,780,413	-	13,302,808
Total revenue	45,472,435	16,441,473	5,588,544	67,502,452
Expenditures				
Current:				
Instruction	29,906,892	12,102,683	-	42,009,575
Support services	16,839,215	3,101,960	40,553	19,981,728
Community services	9,829	-	-	9,829
Food service	-	-	1,332,941	1,332,941
Athletics	-	-	351,249	351,249
Child care	-	-	291,986	291,986
Debt service:				
Principal	-	-	1,590,000	1,590,000
Interest	-	-	1,331,895	1,331,895
Other	-	-	271,850	271,850
Capital outlay	242,091	68,354	811,752	1,122,197
Other transactions	219,999	-	-	219,999
Total expenditures	47,218,026	15,272,997	6,022,226	68,513,249
Excess (Deficiency) of Revenue Over Expenditures	(1,745,591)	1,168,476	(433,682)	(1,010,797)
Other Financing Sources (Uses)				
Transfers in	1,193,421	-	415,182	1,608,603
Transfers out	(415,182)	(1,168,476)	(24,945)	(1,608,603)
Payment to refunded bond escrow agent	-	-	(24,365,340)	(24,365,340)
Long-term debt issued	-	-	23,860,000	23,860,000
Premium on debt issued	-	-	336,208	336,208
Total other financing sources (uses)	778,239	(1,168,476)	221,105	(169,132)
Net Change in Fund Balances	(967,352)	-	(212,577)	(1,179,929)
Fund Balances (Deficit) - Beginning of year	(1,308,943)	-	1,449,942	140,999
Fund Balances (Deficit) - End of year	\$ (2,276,295)	\$ -	\$ 1,237,365	\$ (1,038,930)

School District of the City of Garden City

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

Net Change in Fund Balances (Deficit) - Total Governmental Funds \$ (1,179,929)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (2,183,503)	
Capitalized capital outlay	<u>973,445</u>	(1,210,058)

Revenue is reported in the statement of activities at the time it is earned, without regard to timeliness of collection (334,409)

Debt and notes payable issuance are not reported as financing sources on the statement of activities (23,860,000)

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid (101,809)

Repayment of bond principal and payment to refunded bond escrow agent is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 24,940,000

Bus note principal payments 144,129

Terminated employee severance is recorded when incurred in the statement of activities. In the current year, more was paid out than incurred 1,047,183

Compensated absences and early retirement incentive obligations are recorded when earned in the statement of activities. In the current year, more was paid out than was earned 881,673

Accrued self-insurance liability is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid 804,263

Change in Net Assets (Deficit) of Governmental Activities **\$ 1,131,043**

School District of the City of Garden City

Fiduciary Fund Statement of Fiduciary Net Assets June 30, 2007

	Private Purpose Trust	Student Activities Agency Fund
Assets - Cash and cash equivalents	\$ 124,558	<u>\$ 474,178</u>
Liabilities		
Due to General Fund	-	\$ 8,950
Other liabilities	-	<u>465,228</u>
Total liabilities	<u>-</u>	474,178
Net Assets - Designated for scholarships	<u>\$ 124,558</u>	<u>-</u>
Total liabilities and net assets		<u>\$ 474,178</u>

School District of the City of Garden City

Fiduciary Fund Statement of Changes in Fiduciary Net Assets Year Ended June 30, 2007

	Private Purpose Trust
Additions - Local sources	\$ 15,763
Deductions - Scholarships granted	<u>25,830</u>
Change in Net Assets	(10,067)
Net Assets - Beginning of year	<u>134,625</u>
Net Assets - End of year	<u><u>\$ 124,558</u></u>

School District of the City of Garden City

**Notes to Financial Statements
June 30, 2007**

Note I - Summary of Significant Accounting Policies

The accounting policies of the School District of the City of Garden City (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

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. Based on the application of the criteria, the School District does not contain any component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's district-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds 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.

School District of the City of Garden City

**Notes to Financial Statements
June 30, 2007**

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-wide Financial Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

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 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 School District.

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

School District of the City of Garden City

**Notes to Financial Statements
June 30, 2007**

Note I - Summary of Significant Accounting Policies (Continued)

The School District reports the following major governmental funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

In the current year, the School District has reported the Funded Projects Fund activity in the General Fund. The Funded Projects Fund was previously reported as a Special Revenue Fund.

Special Education Fund - The Special Education Fund is a Special Revenue Fund, the purpose of which is to segregate, for administrative purposes, the transactions relating to the operation of the School District's Special Education Center Program.

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 expenditure for specified purposes. The School District's Special Revenue Funds include the Food Service and School Services Funds. Any operating deficit generated by these activities is the responsibility of the General Fund.

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

Capital Projects Fund - The Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling. The fund operates until the purpose for which it was created is accomplished.

Fiduciary Funds - Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. The Private Purpose Trust Fund accounts for funds entrusted to the School District for scholarship awards.

School District of the City of Garden City

Notes to Financial Statements
June 30, 2007

Note I - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and money market funds with a maturity of three months or less when acquired.

Receivables and Payables - In general, outstanding balances between funds are reported as due to/from other funds.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 for approximately 50 percent of those taxes that are due August 15 and December 1 for the remainder of the property taxes that are due on February 14. The final collection date is February 28, after which they are added to the county tax rolls.

Prepaid Costs - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Restricted Assets - The unspent bond proceeds and related interest of the Capital Projects Funds require amounts to be set aside for construction. The amounts have been classified as restricted assets and total \$286,544 at year end.

Capital Assets - Capital assets, which include construction in progress, land, buildings, equipment, and vehicles, are reported in the applicable governmental activity column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

School District of the City of Garden City

Notes to Financial Statements
June 30, 2007

Note I - Summary of Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building additions	25-50 years
Buses and other vehicles	5-8 years
Furniture and other equipment	5-20 years

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.

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 assets (deficit).

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. The School District currently does not have significant premiums or discounts on debt issuances. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data - Comparative data is not included in the School District's financial statements.

School District of the City of Garden City

Notes to Financial Statements June 30, 2007

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, Special Revenue, Debt Service, and Capital Projects Funds, except for operating transfers in, transfers out, and proceeds from debt issuance, which are classified within revenue and expenditures rather than within other financing sources (uses). All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and activity. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the activity level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. Budgeted revenues were decreased as a result of student decreases in the General Fund due to less than expected Schools of Choice students. Budgeted expenditures were decreased to account for the net effect of less than projected salaries and increased operating costs such as utilities.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Fund Deficit - As of June 30, 2007, the School District has an accumulated fund balance deficit in the General Fund approximating \$2,276,000. A deficit elimination plan, as required, has been filed with the State of Michigan.

Capital Projects Fund Compliance - The Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code. Beginning with the year of bond issuance, the School District has reported the annual construction activity in the Capital Projects Fund. The project for which the bonds were issued was considered substantially complete on May 31, 2007, and the cumulative expenditures recognized during the construction period were \$38,387,363.

School District of the City of Garden City

**Notes to Financial Statements
June 30, 2007**

Note 3 - Deposits

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 offices 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.

The School District has designated three banks for the deposit of its funds.

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. At year end, the School District's deposit balance of \$4,555,082 had \$4,455,082 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The School District believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District 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.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District does not have a policy for interest rate risk and does not have investments with interest rate risk.

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.

School District of the City of Garden City

Notes to Financial Statements June 30, 2007

Note 3 - Deposits (Continued)

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.

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law prohibits investment in foreign currency.

Note 4 - Receivables

Receivables as of year end for the School District's individual major funds and the nonmajor funds in the aggregate are as follows:

	General Fund	Nonmajor and Other Funds	Total
Receivables:			
Taxes	\$ 233,491	\$ 242,198	\$ 475,689
Accounts	115,096	35,849	150,945
Due from Agency Fund	8,950	-	8,950
Intergovernmental	6,839,377	3,547	6,842,924
Interest and other	19,567	-	19,567
Net receivables	<u>\$ 7,216,481</u>	<u>\$ 281,594</u>	<u>\$ 7,498,075</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Delinquent property taxes	\$ 140,272	\$ -
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	381,657
Other	-	50,441
Total	<u>\$ 140,272</u>	<u>\$ 432,098</u>

School District of the City of Garden City

Notes to Financial Statements June 30, 2007

Note 5 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2006	Additions/ Reclassifications	Disposals/ Reclassifications	Balance June 30, 2007
Capital assets not being depreciated - Construction in progress	\$ 742,194	\$ 3,773	\$ 504,903	\$ 241,064
Capital assets being depreciated:				
Buildings and building improvements	55,918,719	1,308,177	-	57,226,896
Buses and other vehicles	1,830,931	-	-	1,830,931
Furniture and equipment	<u>3,642,744</u>	<u>166,398</u>	<u>-</u>	<u>3,809,142</u>
Subtotal	61,392,394	1,474,575	-	62,866,969
Accumulated depreciation:				
Buildings and building improvements	19,590,302	1,587,427	-	21,177,729
Buses and other vehicles	1,279,576	176,892	-	1,456,468
Furniture and equipment	<u>1,460,933</u>	<u>419,184</u>	<u>-</u>	<u>1,880,117</u>
Subtotal	<u>22,330,811</u>	<u>2,183,503</u>	<u>-</u>	<u>24,514,314</u>
Net capital assets being depreciated	<u>39,061,583</u>	<u>(708,928)</u>	<u>-</u>	<u>38,352,655</u>
Net governmental capital assets	<u>\$ 39,803,777</u>	<u>\$ (705,155)</u>	<u>\$ 504,903</u>	<u>\$ 38,593,719</u>

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

Governmental activities:

Instruction	\$ 1,850,928
Support services	<u>332,575</u>
Total governmental activities	<u>\$ 2,183,503</u>

Construction Commitments - The School District has active construction projects at year end. The School District's commitments with contractors for the 2001 bond renovation at June 30, 2007 are as follows:

	Spent to Date	Remaining Commitment
2001 Bond Construction Projects	\$ 38,387,379	\$ 250,447

School District of the City of Garden City

Notes to Financial Statements June 30, 2007

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From	
	General Fund	Nonmajor Governmental Funds
General Fund	\$ -	\$ 93,294
Special Education Fund	-	2,615
Nonmajor governmental funds	56,078	118,936
Total	\$ 56,078	\$ 214,845

Interfund balances represent routine and temporary cash flow assistance from various funds until amounts are transferred from available assets.

Interfund Transfers

	Transfers Out			Total
	General Fund	Special Education Fund	Other Nonmajor Governmental Funds	
Transfers in:				
General Fund	\$ -	\$ 1,168,476	\$ 24,945	\$ 1,193,421
Other nonmajor governmental funds	415,182	-	-	415,182
Total	\$ 415,182	\$ 1,168,476	\$ 24,945	\$ 1,608,603

Transfers from the General Fund subsidized operations in the Food Service and School Services Funds. Transfers from the Special Education Fund to the General Fund were for indirect costs covered by the General Fund.

School District of the City of Garden City

Notes to Financial Statements June 30, 2007

Note 7 - 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. Notes and installment purchase agreements are also general obligations of the School District. Other long-term obligations include compensated absences and termination benefits.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds	\$ 39,405,000	\$ 23,860,000	\$ 24,940,000	\$ 38,325,000	\$ 1,620,000
Durant Non-Plaintiff Bond	<u>1,723,883</u>	<u>-</u>	<u>-</u>	<u>1,723,883</u>	<u>-</u>
Total bonds payable	41,128,883	23,860,000	24,940,000	40,048,883	1,620,000
Notes	595,293	-	144,129	451,164	144,785
Custodial employees' termination settlement	1,125,000	77,817	1,125,000	77,817	77,817
Other obligations	<u>3,603,652</u>	<u>530,267</u>	<u>1,411,940</u>	<u>2,721,979</u>	<u>957,113</u>
Total governmental activities	<u>\$ 46,452,828</u>	<u>\$ 24,468,084</u>	<u>\$ 27,621,069</u>	<u>\$ 43,299,843</u>	<u>\$ 2,799,715</u>

Annual debt service requirements to maturity for the above bond and note obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2008	\$ 1,764,785	\$ 1,757,404	\$ 3,522,189
2009	1,977,798	1,743,239	3,721,037
2010	1,991,045	1,674,257	3,665,302
2011	2,000,714	1,602,324	3,603,038
2012	1,354,630	1,518,971	2,873,601
2013-2017	7,491,075	6,948,760	14,439,835
2018-2022	8,015,000	4,830,950	12,845,950
2023-2027	8,875,000	2,790,254	11,665,254
2028-2031	<u>7,030,000</u>	<u>788,176</u>	<u>7,818,176</u>
Total	<u>\$ 40,500,047</u>	<u>\$ 23,654,335</u>	<u>\$ 64,154,382</u>

School District of the City of Garden City

Notes to Financial Statements
June 30, 2007

Note 7 - Long-term Debt (Continued)

Governmental Activities

General obligation bonds consist of the following:

\$36,585,000 of 2001 serial bonds due in annual installments of \$620,000 to \$625,000 through May 1, 2011; interest at 4.00 percent to 4.30 percent	\$ 2,490,000
\$6,785,000 of 2004 refunding bonds due in annual installments of \$955,000 to \$1,120,000 through May 1, 2011; interest at 2.50 percent to 4.00 percent	4,145,000
\$2,919,543 School Improvement Bond, Series 1998 Durant Non-Plaintiff Bond due in annual installments of \$162,482 to \$1,026,075 May 15, 2009 through May 15, 2013; interest at 4.761 percent	1,723,883
\$7,880,000 of 2005 refunding bonds due in annual installments of \$15,000 to \$1,455,000 through May 1, 2018; interest at 3.00 percent to 5.00 percent	7,865,000
\$23,860,000 of 2006 refunding bonds due in annual installments of \$25,000 to \$1,785,000 through May 1, 2031; interest at 4.00 percent to 5.00 percent	<u>23,825,000</u>
Total bonded debt	<u>\$ 40,048,883</u>

Durant Non-Plaintiff Bond - Included in governmental activities general obligation bonds is the Durant Non-Plaintiff Bond. Annual payments (principal and interest) associated with this bond are funded by the State of Michigan via specifically appropriated state aid and will not require any School District debt levy or utilization of any other School District financial resources.

School District of the City of Garden City

Notes to Financial Statements June 30, 2007

Note 7 - Long-term Debt (Continued)

Notes consist of the following:

Date	Original Amount	Due Date	Interest Rate	Remaining to Maturity	
				Interest	Principal
12/10/02	\$ 152,481	Annually through November 1, 2008	3.90	\$ 2,973	\$ 50,828
12/31/02	23,968	Monthly through December 31, 2007	3.90	31	2,666
08/18/03	264,883	Annually through August 18, 2009	4.90	12,979	132,442
10/29/04	113,296	Annually through November 1, 2010	4.09	8,154	78,314
9/6/05	52,258	Annually through November 1, 2009	3.50	2,230	31,497
11/1/05	122,377	Annually through November 1, 2011	4.75	15,318	104,272
12/9/05	<u>74,992</u>	Annually through December 9, 2008	4.75	<u>3,672</u>	<u>51,145</u>
Total	<u>\$ 804,255</u>			<u>\$ 45,357</u>	<u>\$ 451,164</u>

Other governmental activities' long-term obligations are for employee-compensated absences of \$1,841,125 and for early retirement incentives of \$880,854.

Advance and Current Refundings - In September 2006, the School District issued \$23,860,000 in general obligation bonds with an average interest rate of 4.6 percent. The proceeds of these bonds were used to advance refund \$23,350,000 of outstanding 2001 serial bonds with an average interest rate of 5.1 percent. The net proceeds of \$22,910,000 (after bond premiums and payment of bond issuance and redemption costs) and an additional \$440,000 in funds on hand in the debt retirement funds were used to purchase U.S. government securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds will be considered to be defeased and the liability for the bonds will be removed from the School District's long-term obligations. The advance refunding reduced total debt service payments by approximately \$1,165,000, which represents an economic gain of approximately \$710,000.

School District of the City of Garden City

Notes to Financial Statements June 30, 2007

Note 7 - Long-term Debt (Continued)

Defeased Debt - In prior years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the basic financial statements. At June 30, 2007, \$40,915,000 of bonds outstanding are considered defeased.

Note 8 - Risk Management

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

For risk retention situations, the School District estimates the liability for health and dental claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the district-wide statements. The self-insurance accrual at June 30, 2007 is \$882,829. Changes in the estimated liability for the past two fiscal years were as follows:

	2007	2006
Estimated liability - Beginning of year	\$ 1,687,092	\$ 815,935
Estimated claims incurred - Including changes in estimates	6,145,647	7,327,071
Claim payments	6,949,910	6,455,914
Estimated liability - End of year	<u>\$ 882,829</u>	<u>\$ 1,687,092</u>

School District of the City of Garden City

Notes to Financial Statements June 30, 2007

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPSERS provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the MPSERS. That report may be obtained by writing to the system at P.O. Box 30171, Lansing, MI 48909-7671.

Funding Policy - Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health-care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 16.34 percent and 17.74 percent of the covered payroll to the plan for the periods from July 1, 2006 through September 30, 2006 and October 1, 2006 through June 30, 2007, respectively. Basic plan members make no contributions, but member investment plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS plan for the years ended June 30, 2007, 2006, and 2005 were approximately \$6,400,000, \$6,200,000, and \$5,400,000, respectively.

Postemployment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverages. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for postemployment healthcare benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

Retiree Health Care Benefits - The School District has an obligation (financed on a pay-as-you-go basis) to pay healthcare premiums for early retirees in an amount not to exceed \$1,500 per year, per individual, until the retiree reaches the age of 65. Currently, approximately 120 participants are eligible to receive benefits.

School District of the City of Garden City

Notes to Financial Statements June 30, 2007

Note 10 - State Aid Anticipation Notes

On August 18, 2006, the School District of the City of Garden City borrowed \$7,500,000 on a state aid anticipation note. The note bears interest at 3.68 percent and is due August 20, 2007. At June 30, 2007, accrued interest on this note is \$228,953. The note and related interest were paid in full.

On August 20, 2007, the School District borrowed \$6,000,000 at 3.68 percent annual interest on a state aid anticipation note. The note, plus interest, is due August 20, 2008.

Note 11 - Subsequent Event

On August 20, 2007, the School District entered into a line of credit agreement with a bank with available amounts up to \$6,880,000. Any outstanding balance bears interest at the bank's prime rate less 3.95 percent. Borrowings at August 20, 2007 totaled \$6,880,000. The line of credit expires August 19, 2008.

Required Supplemental Information

School District of the City of Garden City

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 3,384,691	\$ 3,027,069	\$ 3,069,565	\$ 42,496
State sources	38,240,954	39,165,936	38,997,356	(168,580)
Federal sources	-	2,689,992	1,883,119	(806,873)
Incoming transfers and other transactions	2,868,681	2,832,502	2,715,816	(116,686)
Total revenue	44,494,326	47,715,499	46,665,856	(1,049,643)
Expenditures				
Current:				
Instruction	28,167,010	31,818,977	30,064,818	(1,754,159)
Support services:				
Pupil	2,799,182	3,068,262	3,151,944	83,682
Instructional staff	1,535,205	1,531,736	1,679,352	147,616
General administration	594,389	654,446	647,010	(7,436)
School administration	2,453,023	2,554,657	2,524,040	(30,617)
Business services	1,123,745	1,150,190	1,122,461	(27,729)
Operation and maintenance	5,155,161	5,197,815	5,103,416	(94,399)
Transportation	1,734,384	1,752,479	1,619,616	(132,863)
Central	866,166	914,844	887,474	(27,370)
Other	365,593	189,652	188,067	(1,585)
Outgoing transfers and other transactions	748,728	653,063	645,010	(8,053)
Total expenditures	45,542,586	49,486,121	47,633,208	(1,852,913)
Net Change in Fund Balance	(1,048,260)	(1,770,622)	(967,352)	803,270
Fund Balance (Deficit) - July 1, 2006	(1,295,443)	(1,308,943)	(1,308,943)	-
Fund Balance (Deficit) - June 30, 2007	<u>\$ (2,343,703)</u>	<u>\$ (3,079,565)</u>	<u>\$ (2,276,295)</u>	<u>\$ 803,270</u>

School District of the City of Garden City

Required Supplemental Information Budgetary Comparison Schedule Special Education Special Revenue Fund Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 10,000	\$ 58,834	\$ 56,042	\$ (2,792)
State sources	4,790,068	4,714,219	4,605,018	(109,201)
Interdistrict sources	<u>12,528,030</u>	<u>11,995,405</u>	<u>11,780,413</u>	<u>(214,992)</u>
Total revenue	17,328,098	16,768,458	16,441,473	(326,985)
Expenditures - Current				
Instruction	13,085,766	12,432,491	12,117,922	(314,569)
Support services	<u>3,024,817</u>	<u>3,250,871</u>	<u>3,155,075</u>	<u>(95,796)</u>
Total expenditures	16,110,583	15,683,362	15,272,997	(410,365)
Other Financing Uses - Transfers out	<u>1,217,515</u>	<u>1,085,096</u>	<u>1,168,476</u>	<u>83,380</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1, 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - June 30, 2007	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Other Supplemental Information

School District of the City of Garden City

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2007

	Special Revenue Funds		Debt Service Funds				Capital Projects Fund	Total
	Food Service	School Services	2006 Refunding Bond	2005 Refunding Bond	2004 Refunding Bond	2001 Renovation Bond		
Assets								
Cash and cash equivalents	\$ 2,442	\$ -	\$ 138,867	\$ 20,450	\$ 65,076	\$ 486,140	\$ 286,544	\$ 999,519
Receivables - Net	35,849	-	64,990	26,236	65,668	85,304	-	278,047
Inventory	12,649	-	-	-	-	-	-	12,649
Due from other governmental units	-	-	-	149	1,115	2,283	-	3,547
Due from other funds	-	14,598	159,523	85	-	808	-	175,014
Total assets	\$ 50,940	\$ 14,598	\$ 363,380	\$ 46,920	\$ 131,859	\$ 574,535	\$ 286,544	\$ 1,468,776
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 1,953	\$ -	\$ 15	\$ -	\$ -	\$ -	\$ -	\$ 1,968
Due to other funds	48,987	-	-	-	23,523	141,504	831	214,845
Deferred revenue	-	14,598	-	-	-	-	-	14,598
Total liabilities	50,940	14,598	15	-	23,523	141,504	831	231,411
Fund Balances - Reserved								
Encumbrances	-	-	-	-	-	-	250,447	250,447
Capital projects	-	-	-	-	-	-	35,266	35,266
Debt service	-	-	363,365	46,920	108,336	433,031	-	951,652
Total fund balances	-	-	363,365	46,920	108,336	433,031	285,713	1,237,365
Total liabilities and fund balances	\$ 50,940	\$ 14,598	\$ 363,380	\$ 46,920	\$ 131,859	\$ 574,535	\$ 286,544	\$ 1,468,776

School District of the City of Garden City

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2007

	Special Revenue Funds		Debt Service Funds				Capital Projects Fund	Total
	Food Service	School Services	2006 Refunding Bond	2005 Refunding Bond	2004 Refunding Bond	2001 Renovation Bond		
Revenue								
Local sources	\$ 618,917	\$ 398,627	\$ 1,064,298	\$ 402,761	\$ 1,067,750	\$ 1,384,988	\$ 30,978	\$ 4,968,319
State sources	95,749	-	-	-	-	-	-	95,749
Federal sources	524,476	-	-	-	-	-	-	524,476
Total revenue	1,239,142	398,627	1,064,298	402,761	1,067,750	1,384,988	30,978	5,588,544
Expenditures								
Current:								
Support services	-	40,553	-	-	-	-	-	40,553
Food services	1,332,941	-	-	-	-	-	-	1,332,941
Athletics	-	351,249	-	-	-	-	-	351,249
Child care	-	291,986	-	-	-	-	-	291,986
Debt service:								
Principal	-	-	35,000	15,000	915,000	625,000	-	1,590,000
Interest	-	-	665,933	392,102	146,472	127,388	-	1,331,895
Other	-	-	-	225	324	271,301	-	271,850
Capital outlay	11,277	-	-	-	-	-	800,475	811,752
Total expenditures	1,344,218	683,788	700,933	407,327	1,061,796	1,023,689	800,475	6,022,226
Excess of Revenue Over (Under) Expenditures	(105,076)	(285,161)	363,365	(4,566)	5,954	361,299	(769,497)	(433,682)
Other Financing Sources (Uses)								
Transfers in	105,076	310,106	-	-	-	-	-	415,182
Transfers out	-	(24,945)	-	-	-	-	-	(24,945)
Payment to refunded bond escrow agent	-	-	-	-	-	(24,365,340)	-	(24,365,340)
Long-term debt issued	-	-	-	-	-	23,860,000	-	23,860,000
Premium on debt issued	-	-	-	-	-	336,208	-	336,208
Total other financing sources (uses)	105,076	285,161	-	-	-	(169,132)	-	221,105
Net Change in Fund Balances	-	-	363,365	(4,566)	5,954	192,167	(769,497)	(212,577)
Fund Balances - Beginning of year	-	-	-	51,486	102,382	240,864	1,055,210	1,449,942
Fund Balances - End of year	\$ -	\$ -	\$ 363,365	\$ 46,920	\$ 108,336	\$ 433,031	\$ 285,713	\$ 1,237,365

School District of the City of Garden City

Other Supplemental Information Combining Balance Sheet General and Funded Projects Funds June 30, 2007

	General Fund	Funded Projects Fund	Total General Fund
Assets			
Cash and cash equivalents	\$ 3,563,336	\$ -	\$ 3,563,336
Receivables - Net	368,154	-	368,154
Inventory	28,078	-	28,078
Due from other governmental units	6,391,840	447,537	6,839,377
Due from other funds	93,294	-	93,294
Due from Agency Fund	8,950	-	8,950
Prepaid costs	1,890,335	-	1,890,335
Total assets	12,343,987	447,537	12,791,524
Liabilities and Fund Balances (Deficit)			
Liabilities			
Accounts payable	482,916	8,501	491,417
Accrued payroll and other liabilities	6,464,151	-	6,464,151
State aid anticipation note	7,500,000	-	7,500,000
Due to other funds	-	56,078	56,078
Deferred revenue	173,215	382,958	556,173
Total liabilities	14,620,282	447,537	15,067,819
Fund Balances (Deficit)			
Reserved:			
Encumbrances	272,871	-	272,871
Prepays	1,890,335	-	1,890,335
Unreserved - Undesignated	(4,439,501)	-	(4,439,501)
Total fund balances (deficit)	(2,276,295)	-	(2,276,295)
Total liabilities and fund balances (deficit)	\$ 12,343,987	\$ 447,537	\$ 12,791,524

School District of the City of Garden City

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances General and Funded Projects Funds June 30, 2007

	General Fund	Funded Projects Fund	Total General Fund
Revenue			
Local sources	\$ 3,069,565	\$ -	\$ 3,069,565
State sources	38,217,782	779,574	38,997,356
Federal sources	7,320	1,875,799	1,883,119
Interdistrict sources and other	1,522,395	-	1,522,395
Total revenue	42,817,062	2,655,373	45,472,435
Expenditures			
Current:			
Instruction	27,754,881	2,152,011	29,906,892
Support services	16,470,580	368,635	16,839,215
Community services	156	9,673	9,829
Capital outlay	117,037	125,054	242,091
Other transactions	219,999	-	219,999
Total expenditures	44,562,653	2,655,373	47,218,026
Excess of Expenditures Over Revenue	(1,745,591)	-	(1,745,591)
Other Financing Sources (Uses)			
Transfers in	1,193,421	-	1,193,421
Transfers out	(415,182)	-	(415,182)
Total other financing sources	778,239	-	778,239
Net Change in Fund Balances	(967,352)	-	(967,352)
Fund Balances (Deficit) - Beginning of year	(1,308,943)	-	(1,308,943)
Fund Balances (Deficit) - End of year	\$ (2,276,295)	\$ -	\$ (2,276,295)

School District of the City of Garden City

Other Supplemental Information Schedule of Bonded Indebtedness Year Ended June 30, 2007

June 30	2001 Debt	Durant	2004 Debt	2005 Debt	2006 Debt
	Principal	Principal	Principal	Principal	Principal
2008	\$ 625,000	\$ -	\$ 955,000	\$ 15,000	\$ 25,000
2009	625,000	162,482	1,005,000	15,000	25,000
2010	620,000	170,211	1,065,000	15,000	25,000
2011	620,000	178,318	1,120,000	15,000	25,000
2012	-	186,797	-	15,000	1,130,000
2013	-	1,026,075	-	1,165,000	25,000
2014	-	-	-	1,210,000	25,000
2015	-	-	-	1,250,000	30,000
2016	-	-	-	1,320,000	25,000
2017	-	-	-	1,390,000	25,000
2018	-	-	-	1,455,000	30,000
2019	-	-	-	-	1,555,000
2020	-	-	-	-	1,605,000
2021	-	-	-	-	1,660,000
2022	-	-	-	-	1,710,000
2023	-	-	-	-	1,760,000
2024	-	-	-	-	1,785,000
2025	-	-	-	-	1,775,000
2026	-	-	-	-	1,770,000
2027	-	-	-	-	1,785,000
2028	-	-	-	-	1,775,000
2029	-	-	-	-	1,765,000
2030	-	-	-	-	1,750,000
2031	-	-	-	-	1,740,000
Total	\$ 2,490,000	\$ 1,723,883	\$ 4,145,000	\$ 7,865,000	\$ 23,825,000
Principal payments due	May 1	May 15	May 1	May 1	May 1
Interest payments due	May 1 and November 1	May 15	May 1 and November 1	May 1 and November 1	May 1 and November 1
Interest rate	4.00% to 4.30%	4.761%	2.50% to 4.00%	3.00% to 5.00%	4.00% to 5.00%
Original issue	\$ 36,585,000	\$ 2,919,543	\$ 6,785,000	\$ 7,880,000	\$ 23,860,000