

Garden City Public Schools

Financial Statements

June 30, 2018



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Garden City Public Schools
Members of the Board of Education and Administration
June 30, 2018

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, 2018, 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, 2018, 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.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2018, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability, schedule of the school district's OPEB contributions, schedule of changes in total liability and related ratios and schedule of employer contributions 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 16, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Garden City Public School's 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 16, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2018. 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:

Garden City Public Schools

Management's Discussion and Analysis

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, 2018 and 2017.

TABLE 1

	Governmental Activities June 30,	
	2018	2017
	(in millions)	
Assets & Deferred Outflows		
Current and other assets	\$ 21.4	\$ 20.6
Capital assets	24.0	24.2
Deferred Outflows	16.9	9.9
Total assets & deferred outflows	62.4	54.7
Liabilities		
Current liabilities	11.7	16.0
Long-term liabilities	120.6	99.4
Deferred Inflows	19.1	11.5
Total liabilities	151.3	126.9
Net Position		
Net investment in capital assets	2.4	0.6
Restricted	2.6	3.1
Unrestricted (deficit)	(93.9)	(75.9)
Total net position	\$ (89.0)	\$ (72.2)

Garden City Public Schools

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 (\$89.0) million at June 30, 2018. Capital assets, net of related debt totaling approximately \$2.4 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, (\$93.9) million, was unrestricted. The (\$93.9) 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. A prior period adjustment was made to the District's net position related to the effect of GASB 75's implementation. GASB 75 instructs districts on how they must record the liability for Other Post Employment Benefits (OPEB) related to the Michigan Public School Employee Retirement System (MPERS). This prior period adjustment of (\$24.5) million brought the District's net position to (\$88.9) million.

Garden City Public Schools

Management's Discussion and Analysis

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 2018 and 2017. Note that the beginning net position for 2018 was restated for the adoption of GASB 75.

TABLE 2

	Governmental Activities June 30,	
	2018	2017
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.9	\$ 0.9
Operating grants and contributions	26.0	24.2
General revenue:		
Property taxes	6.5	6.7
State aid	23.6	24.0
Other	0.5	0.3
Total revenue	<u>57.4</u>	<u>56.1</u>
Functions/program expenses		
Instruction	29.3	28.4
Supporting services	17.8	17.4
Food services	1.4	1.4
Community services and other	0.6	0.5
Interest and long-term debt	0.7	0.8
Total functions/program costs	<u>49.7</u>	<u>48.5</u>
Change in net position	7.7	7.6
Beginning net position (deficit)	(72.2)	(79.8)
Prior period adjustment (GASB 75)	<u>(24.5)</u>	<u>-</u>
Ending net position (deficit)	<u>\$ (88.9)</u>	<u>\$ (72.2)</u>

Garden City Public Schools

Management's Discussion and Analysis

As reported in the statement of activities, the cost of all of our governmental activities this year was \$49.7 million. Certain activities were partially funded from those who benefited from the programs (*i.e.*, Charges for Services of \$0.9 million), or by other governments and organizations that subsidized certain programs with grants and contributions, (*i.e.*, Operating Grants and Contributions of \$26.0 million). We paid for the remaining public benefit portion of our governmental activities with \$6.5 million in taxes, \$23.6 million in state foundation allowance, and \$0.5 million with our other revenue, *i.e.*, interest and general entitlements.

The School District experienced a \$7.7 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 \$8,839,301, which is an increase of \$2.3 million from last year. The primary reasons for the increase was due to the continuation of the District's cost saving measures through wage concessions and a voter-approved county-wide millage that was approved in November of 2017. Voters authorized the levy of this enhancement millage for a six year period ending in December of 2022. These items accounted for a \$2.7 million increase in the General Fund Balance. The Sinking Fund Balance decreased by approximately \$0.5 million due to expenditures related to the start of capital projects during the 2017-18 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 2018. 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.

Garden City Public Schools

Management's Discussion and Analysis

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 \$212,000 increase in local revenue, a \$1.93 million increase in state revenue, and an \$115,000 increase in Federal Grants. The increase in local revenue was primarily due to receipt of a one-time allocation of Special Education Transportation revenue from Wayne RESA. The increase in state revenue was primarily due to an increase in restricted revenue (e.g., 31a At Risk, MPSERS UAAL pass-through, etc.) of \$1.18 million, and in unrestricted revenue of \$751,000 due to updated enrollment numbers.

On the expenditure side of the budget, amendments between the original and final budgets totaled a \$933,000 increase in projected costs primarily due to an increase in grant expenditures and inclusion of an estimate for capital outlay for roofs at the Douglas and Lathers elementary buildings. The variance between the final estimated June 30, 2018 fund balance and the actual June 30, 2018 fund balance was \$630,369.

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 \$557,000 increase in Act 18 Revenue. Amendments to expenditures totaled a \$557,000 increase to instruction related to updates in staffing estimates.

The variance between budgeted Special Education Fund revenue and actual Special Education Fund revenue was minimal. The change on the revenue was primarily due to lower than anticipated 51c state aid special education revenue in the current year. The variance between budgeted Special Education Fund expenditures and actual Special Education Fund expenditures was \$142,000, primarily due to lower than projected salaries and benefits, and lower than expected contract substitute costs.

Garden City Public Schools

Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018, the School District had \$24.0 million invested in a broad range of capital assets, including construction in progress, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$0.1 million.

	2018	2017
Construction in progress	\$ 770,759	\$ 1,979,048
Building and site improvements	57,395,968	54,651,151
Equipment and furniture	4,942,328	4,942,328
Buses and other vehicles	2,191,818	2,025,070
Total capital assets	65,300,873	63,597,597
Less accumulated depreciation	(41,264,454)	(39,433,167)
Net capital assets	<u>\$ 24,036,419</u>	<u>\$ 24,164,430</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.

Debt

At the end of this year, the School District had \$19.3 million in bonds outstanding versus \$20.8 million in the previous year. Those bonds consisted of the following:

	2018	2017
2016 General Obligation Bonds	\$ 19,280,000	\$ 20,750,000

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 \$19,280,000 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 2019 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. In November 2016, voters in Wayne County passed a Regional Enhancement Millage for a period of six years ending in December 2022. The District’s share of this millage was approximately \$1.3 million in fiscal year 2018 and is expected to be less in 2018-19 based on projected enrollment data. 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 2019 budget adopted in June 2018 was based on an estimate of students that will be enrolled in October 2018. 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 2018-19 School Year. The District was able to continue making significant progress towards long-term fiscal health during 2017-18 as the District’s accumulated equity fund balance in the General Fund increased by approximately \$2.7 million to \$6.0 million.

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, 2018

	<u>Governmental Activities</u>
Assets	
Cash	\$ 12,895,361
Taxes receivable	427,344
Accounts receivable	81,899
Due from other governmental units	7,504,961
Inventory	26,352
Prepaid items	501,958
Capital assets not being depreciated	770,759
Capital assets - net of accumulated depreciation	<u>23,265,660</u>
 Total assets	 <u>45,474,294</u>
 Deferred Outflows of Resources	
Deferred amount relating to net pension liability	14,851,364
Deferred amount relating to net OPEB liability	1,543,375
Deferred amount relating to total OPEB liability - single employer plan	3,689
Deferred amount on debt refunding	<u>519,211</u>
 Total deferred outflows of resources	 <u>16,917,639</u>
 Total assets and deferred outflows of resources	 <u>62,391,933</u>

See Accompanying Notes to the Financial Statements

Garden City Public Schools
Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	\$ 2,680,497
Due to other governmental units	763,033
Due to agency fund activities	12,750
Payroll deductions and withholdings	13,849
Accrued expenditures	359,761
Accrued salaries payable	3,581,753
Unearned revenue	4,297,345
Long-term liabilities	
Debt due within one year	1,923,107
Debt due in more than one year	21,467,790
Net pension liability	71,909,590
Net OPEB liability	24,634,886
Total OPEB liability - single employer plan	<u>636,640</u>
Total liabilities	<u>132,281,001</u>
 Deferred Inflows of Resources	
Deferred amount on net pension liability	17,934,352
Deferred amount on net OPEB liability	832,839
Deferred amount on total OPEB liability - single employer plan	<u>294,277</u>
Total deferred inflows of resources	<u>19,061,468</u>
 Total liabilities and deferred inflows of resources	<u>151,342,469</u>
 Net Position	
Net investment in capital assets	2,354,103
Restricted for	
Food service	612,236
Debt service	894,471
Sinking fund	1,130,136
Unrestricted (deficit)	<u>(93,941,482)</u>
Total net position	<u>\$ (88,950,536)</u>

See Accompanying Notes to the Financial Statements

Garden City Public Schools
Statement of Activities
For the Year Ended June 30, 2018

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Functions/Programs				
Governmental activities				
Instruction	\$ 29,252,971	\$ 25,425	\$ 17,425,016	\$ (11,802,530)
Supporting services	17,847,492	-	7,467,871	(10,379,621)
Food services	1,356,366	369,232	1,087,911	100,777
Community services and other	578,487	479,251	-	(99,236)
Interest and fiscal charges on long-term debt	688,413	-	-	(688,413)
Total governmental activities	<u>\$ 49,723,729</u>	<u>\$ 873,908</u>	<u>\$ 25,980,798</u>	<u>(22,869,023)</u>
General revenues				
Property taxes, levied for general purposes				3,033,616
Property taxes, levied for debt service				2,428,870
Property taxes, levied for sinking fund				1,007,402
State aid - unrestricted				23,649,808
Interest and investment earnings				22,437
Other				<u>444,090</u>
Total general revenues				<u>30,586,223</u>
Change in net position				7,717,200
Net position - beginning, as restated				<u>(96,667,736)</u>
Net position - ending				<u>\$ (88,950,536)</u>

See Accompanying Notes to the Financial Statements

Garden City Public Schools
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Special Education Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 9,702,219	\$ -	\$ 3,193,142	\$ 12,895,361
Taxes receivable	237,343	-	190,001	427,344
Accounts receivable	29,113	-	52,786	81,899
Due from other funds	-	4,358,317	69,699	4,428,016
Due from other governmental units	7,347,246	148,412	9,303	7,504,961
Inventory	13,683	-	12,669	26,352
Prepaid items	501,958	-	-	501,958
	<u>501,958</u>	<u>-</u>	<u>-</u>	<u>501,958</u>
 Total assets	 <u>\$ 17,831,562</u>	 <u>\$ 4,506,729</u>	 <u>\$ 3,527,600</u>	 <u>\$ 25,865,891</u>
 Liabilities, Deferred Inflows of Resources and Fund Balance				
Liabilities				
Accounts payable	\$ 1,864,376	\$ 83,010	\$ 733,111	\$ 2,680,497
Due to other funds	5,416,156	-	88	5,416,244
Due to other governmental units	763,033	-	-	763,033
Due to agency fund activities	12,750	-	-	12,750
Payroll deductions and withholdings	13,849	-	-	13,849
Accrued expenditures	141,203	-	-	141,203
Accrued salaries payable	2,503,364	1,078,389	-	3,581,753
Unearned revenue	952,015	3,345,330	-	4,297,345
	<u>11,666,746</u>	<u>4,506,729</u>	<u>733,199</u>	<u>16,906,674</u>
 Total liabilities	 <u>11,666,746</u>	 <u>4,506,729</u>	 <u>733,199</u>	 <u>16,906,674</u>
 Deferred Inflows of Resources				
Unavailable revenue				
Property taxes	119,916	-	-	119,916
	<u>119,916</u>	<u>-</u>	<u>-</u>	<u>119,916</u>

See Accompanying Notes to the Financial Statements

Garden City Public Schools
Governmental Funds
Balance Sheet
June 30, 2018

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance				
Non-spendable:				
Inventory	\$ 13,683	\$ -	\$ 12,669	\$ 26,352
Prepaid items	501,958	-	-	501,958
Restricted for				
Food service	-	-	599,567	599,567
Debt service	-	-	1,052,029	1,052,029
Sinking Fund	-	-	1,130,136	1,130,136
Unassigned	<u>5,529,259</u>	<u>-</u>	<u>-</u>	<u>5,529,259</u>
 Total fund balance	 <u>6,044,900</u>	 <u>-</u>	 <u>2,794,401</u>	 <u>8,839,301</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 17,831,562</u>	 <u>\$ 4,506,729</u>	 <u>\$ 3,527,600</u>	 <u>\$ 25,865,891</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, 2018

Total fund balances for governmental funds	\$ 8,839,301
Total net position for governmental activities in the statement of net position is different because	
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Property taxes	119,916
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	770,759
Capital assets - net of accumulated depreciation	23,265,660
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	519,211
Deferred inflows of resources resulting from net pension liability	(17,934,352)
Deferred inflows of resources resulting from net OPEB liability	(832,839)
Deferred outflows of resources resulting from net pension liability	14,851,364
Deferred outflows of resources resulting from net OPEB liability	1,543,375
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(157,558)
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	(71,909,590)
Net OPEB liability	(24,634,886)
Compensated absences	(1,189,370)
Bonds and notes payable	(22,018,455)
Capital leases	<u>(183,072)</u>
Net position of governmental activities	<u>\$ (88,950,536)</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, 2018

	General Fund	Special Education Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 4,161,163	\$ -	\$ 3,819,698	\$ 7,980,861
State sources	35,894,441	-	75,902	35,970,343
Federal sources	1,861,320	399,210	1,020,252	3,280,782
Interdistrict sources	<u>1,857,837</u>	<u>8,324,618</u>	<u>-</u>	<u>10,182,455</u>
 Total revenues	 <u>43,774,761</u>	 <u>8,723,828</u>	 <u>4,915,852</u>	 <u>57,414,441</u>
Expenditures				
Current				
Education				
Instruction	21,063,008	9,122,745	-	30,185,753
Supporting services	15,328,113	2,936,258	-	18,264,371
Food services	-	-	1,346,625	1,346,625
Community services	574,332	-	-	574,332
Intergovernmental payments	73,000	-	-	73,000
Facilities acquisition	-	-	1,517,002	1,517,002
Capital outlay	526,106	24,536	-	550,642
Debt service				
Principal	102,078	8,126	1,470,000	1,580,204
Interest and other expenditures	<u>3,232</u>	<u>-</u>	<u>1,045,788</u>	<u>1,049,020</u>
 Total expenditures	 <u>37,669,869</u>	 <u>12,091,665</u>	 <u>5,379,415</u>	 <u>55,140,949</u>
 Excess (deficiency) of revenues over expenditures	 <u>6,104,892</u>	 <u>(3,367,837)</u>	 <u>(463,563)</u>	 <u>2,273,492</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, 2018

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses)				
Transfers in	\$ 1,206,197	\$ 4,574,034	\$ -	\$ 5,780,231
Transfers out	<u>(4,574,034)</u>	<u>(1,206,197)</u>	<u>-</u>	<u>(5,780,231)</u>
Total other financing sources (uses)	<u>(3,367,837)</u>	<u>3,367,837</u>	<u>-</u>	<u>-</u>
Net change in fund balance	2,737,055	-	(463,563)	2,273,492
Fund balance - beginning	<u>3,307,845</u>	<u>-</u>	<u>3,257,964</u>	<u>6,565,809</u>
Fund balance - ending	<u><u>\$ 6,044,900</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,794,401</u></u>	<u><u>\$ 8,839,301</u></u>

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, 2018

Net change in fund balances - Total governmental funds	\$ 2,273,492
Total change in net position reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes	26,488
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.	
Depreciation expense	(1,831,287)
Capital outlay	1,703,277
Expenses are recorded when incurred in the statement of activities.	
Interest	9,777
Compensated absences	912
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.	
Net change in net pension liability	4,038,424
Net change in the deferred inflows and outflows of resources related to the net pension liability	(913,875)
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in net OPEB liability	246,864
Net change in the deferred inflows and outflows of resources related to the net OPEB liability	(458,630)
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.	
Repayments of long-term debt	1,580,204
Deferred amount on refunding	(39,939)
Amortization of premiums	390,769
Internal service funds are also included as governmental activities	<u>690,724</u>
Change in net position of governmental activities	<u>\$ 7,717,200</u>

See Accompanying Notes to the Financial Statements

Garden City Public Schools
Proprietary Fund
Internal Service Fund
Statement of Net Position
June 30, 2018

	Internal Service Fund
	<u> </u>
Assets	
Due from other funds	\$ 988,228
Deferred outflows of resources	
Deferred amount relaying to total OPEB liability - single employer plan	<u>3,689</u>
Total assets and deferred outflows of resources	<u><u>\$ 991,917</u></u>
Liabilities	
Early retirement incentive	61,000
Total OPEB liability	<u>636,640</u>
Total liabilities	<u>697,640</u>
Deferred inflows of resources	
Deferred amount relaying to total OPEB liability - single employer plan	<u>294,277</u>
Total liabilities and deferred inflows of resources	<u><u>\$ 991,917</u></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, 2018

	<u>Internal Service Fund</u>
Revenues	
Charges to other funds	\$ 621,249
Expenses	
Other post employment benefits	<u>(69,475)</u>
Net income	<u>690,724</u>
Net position (deficit) - beginning, restated	<u>(690,724)</u>
Net position - ending	<u><u>\$ -</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, 2018

	Internal Service Fund
	<u> </u>
Cash flows from operating activities	
Charges to other funds	\$ -
Other post employment benefits	<u> -</u>
Net cash provided by operating activities	<u> -</u>
Cash - beginning of year	<u> -</u>
Cash - end of year	<u><u>\$ -</u></u>
 Reconciliation of operating income to net cash from operating activities	
Operating income	\$ 690,724
Adjustments to reconcile operating income to net cash from operating activities	
Changes in assets and liabilities	
Due from other funds	(334,249)
Total OPEB liability - deferred outflows of resources	(3,689)
Early retirement incentives	(287,000)
Total OPEB liability	(360,063)
Total OPEB liability - deferred inflows of resources	<u>294,277</u>
 Net cash provided by operating activities	 <u><u>\$ -</u></u>

See Accompanying Notes to the Financial Statements

Garden City Public Schools
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash	\$ 130,601	\$ 443,701
Due from other funds	<u>12,750</u>	<u>-</u>
Total assets	<u>\$ 143,351</u>	<u>\$ 443,701</u>
Liabilities		
Accounts payable	\$ -	\$ 944
Due to agency fund activities	<u>-</u>	<u>442,757</u>
Total liabilities	<u>-</u>	<u>\$ 443,701</u>
Net Position		
Assets held for scholarships	<u>\$ 143,351</u>	

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, 2018

	<u>Private Purpose Trust Funds</u>
Additions	
Local sources	\$ 58,865
Interest and investment earnings	<u>823</u>
Total additions	<u>59,688</u>
Deductions	
Scholarships	<u>36,862</u>
Change in net position	22,826
Net position - beginning	<u>120,525</u>
Net position - ending	<u><u>\$ 143,351</u></u>

See Accompanying Notes to the Financial Statements

Garden City Public Schools
Notes to the Financial Statements
June 30, 2018

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.

Garden City Public Schools
Notes to the Financial Statements
June 30, 2018

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 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.

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.

Garden City Public Schools
Notes to the Financial Statements
June 30, 2018

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.

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, 2018, 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	4.7500
Sinking Fund	1.9714

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

Garden City Public Schools
Notes to the Financial Statements
June 30, 2018

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 financials statements. The amounts represent the difference between the reacquisition price and the 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 and OPEB plan 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 amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities 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 – Single Employer Plan – 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.

Postemployment Benefits Other Than Pensions – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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.

Garden City Public Schools

Notes to the Financial Statements

June 30, 2018

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. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan 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 and OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPSERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

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 prescribes 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.

Garden City Public Schools
Notes to the Financial Statements
June 30, 2018

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

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.

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending June 30, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. The effective date is for the fiscal year ending June 30, 2018.

Upcoming Accounting and Reporting Changes

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

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of

Garden City Public Schools
Notes to the Financial Statements
June 30, 2018

resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the District's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

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.

Garden City Public Schools
Notes to the Financial Statements
June 30, 2018

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Basic programs	\$ 15,330,701	\$ 15,453,479	\$ 122,778
Other	38,000	81,857	43,857
Special Education Fund			
Supporting services	2,861,370	2,936,258	74,888

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.

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	<u>\$ 12,895,361</u>	<u>\$ 574,302</u>	<u>\$ 13,469,663</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	<u>\$ 13,469,663</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.

Garden City Public Schools
Notes to the Financial Statements
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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, \$13,764,641 of the School District's bank balance of \$14,050,467 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.

Note 4 – Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Construction in progress	\$ 1,979,048	\$ 1,427,114	\$ 2,635,403	\$ 770,759
Capital assets being depreciated				
Buildings and site improvements	\$ 54,651,150	\$ 2,744,818	\$ -	\$ 57,395,968
Equipment and furniture	4,942,328	-	-	4,942,328
Buses and other vehicles	2,025,070	166,748	-	2,191,818
Total capital assets being depreciated	61,618,548	2,911,566	-	64,530,114
Less accumulated depreciation for				
Buildings and site improvements	34,241,248	1,484,173	-	35,725,421
Equipment and furniture	3,888,528	195,934	-	4,084,462
Buses and other vehicles	1,303,391	151,180	-	1,454,571
Total accumulated depreciation	39,433,167	1,831,287	-	41,264,454
Net capital assets being depreciated	22,185,381	1,080,279	-	23,265,660
Net capital assets	\$ 24,164,429	\$ 2,507,393	\$ 2,635,403	\$ 24,036,419

Garden City Public Schools
Notes to the Financial Statements
June 30, 2018

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

Governmental activities

Instruction	\$ 1,281,901
Supporting services	549,386
Total governmental activities	<u>\$ 1,831,287</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
Farmington playground	\$ 358,496	\$ 449	\$ 358,047
High School track	404,712	323,231	81,481
High School tennis courts	397,890	150,714	247,176
Lathers & Douglas roofing	235,960	228,720	7,241
GCHS IMC HVAC	108,248	31,434	76,814

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	\$ 4,358,317
General Fund	Nonmajor Governmental Funds	69,699
General Fund	Internal Service Fund	988,140
Nonmajor Governmental Funds	Internal Service Fund	88
General Fund	Private Purpose Trust Fund	<u>12,750</u>
		<u>\$ 5,428,994</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.

Interfund transfers consist of the following:

	Transfers Out		
	General Fund	Special Education Fund	Total
<u>Transfers in</u>			
General Fund	\$ -	\$ 1,206,197	\$ 1,206,197
Special Education Fund	<u>4,574,034</u>	<u>-</u>	<u>4,574,034</u>
	<u>\$ 4,574,034</u>	<u>\$ 1,206,197</u>	<u>\$ 5,780,231</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.

Garden City Public Schools
Notes to the Financial Statements
June 30, 2018

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:

	<u>Unearned</u>
Interdistrict special education payments	\$ 3,345,330
Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>952,015</u>
Total	<u>\$ 4,297,345</u>

Note 7 – Leases

The School District has a capital lease for copiers. The future minimum lease payments are as follows:

Year ending June 30,	
2019	\$ 57,230
2020	57,230
2021	57,230
2022	<u>32,417</u>
Total minimum lease payments	\$ 204,107
Less amount representing interest	<u>(21,035)</u>
Present value of minimum lease payments	<u>\$ 183,072</u>

The assets acquired through capital leases are as follows:

Assets	
Machinery and equipment	\$ 241,849
Less accumulated depreciation	<u>(48,370)</u>
Total	<u>\$ 193,479</u>

Note 8 – 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 30th.

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

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	\$ 2,000,000	\$ -	\$ 2,000,000	\$ -

Note 9 – 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.

Garden City Public Schools
Notes to the Financial Statements
June 30, 2018

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 20,750,000	\$ -	\$ 1,470,000	\$ 19,280,000	\$ 1,360,000
Notes	201,255	-	66,527	134,728	67,696
Capital leases	226,749	-	43,677	183,072	47,411
Compensated absences	1,190,282	386,443	387,355	1,189,370	387,000
Retirement incentives	348,500	-	287,500	61,000	61,000
Other postemployment benefits	305,979	690,724	360,063	636,640	-
Premium on bonds	2,994,496	-	390,769	2,603,727	-
Total	\$ 26,017,261	\$ 1,077,167	\$ 3,005,891	\$ 24,088,537	\$ 1,923,107

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 5.00% \$ 19,280,000

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

	Principal	Interest	Total
Year Ending June 30,			
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	1,480,000	753,750	2,233,750
2023	1,525,000	679,750	2,204,750
2024 - 2028	7,625,000	2,252,750	9,877,750
2029 - 2031	4,445,000	442,750	4,887,750
Total	\$ 19,280,000	\$ 6,815,000	\$ 26,095,000

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$1,052,029 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% \$ 134,728

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

	Principal	Interest	Total
Year Ending June 30,			
2019	\$ 67,696	\$ 2,063	\$ 69,759
2020	67,032	873	67,905
	<u>\$ 134,728</u>	<u>\$ 2,936</u>	<u>\$ 137,664</u>

Compensated Absences

Accrued compensated absences at year end, consist of \$285,010 of vacation hours earned and vested, \$886,050 in accrued sick time benefits, and \$18,310 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.

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 \$61,000. The full amount is due in the year ending June 30, 2019

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.

Garden City Public Schools

Notes to the Financial Statements

June 30, 2018

Debt refunding activity is summarized as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Deferred amount on refunding	\$ 559,150	\$ -	\$ 39,939	\$ 519,211

Note 10 – 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 11 – Pension Plans

Plan Description

The Michigan Public School Employees' Retirement System (System or MPERS) 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 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's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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 on the ORS website at www.michigan.gov/orsschools.

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 are determined by final average compensation, 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 plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. 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.

Garden City Public Schools
Notes to the Financial Statements
June 30, 2018

Contributions

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, 2016 valuation will be amortized over a 20-year period for the 2016 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year 2017.

Pension Contribution Rates		
<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0%	19.03%
Member Investment Plan	3.0 - 7.0%	19.03%
Pension Plus	3.0 - 6.4%	18.40%
Defined Contribution	0.0%	15.27%

Required contributions to the pension plan from the School District were \$6,508,626 for the year ending September 30, 2017.

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

At June 30, 2018, the School District reported a liability of \$71,909,590 for its proportionate share of the MPSERS net pension liability. The net

pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2017, the School District's proportion was .2775 percent, which was a decrease of .0269 percent from its proportion measured as of September 30, 2016. At September 30, 2017, the total pension expense for the School District was \$3,250,791.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 624,943	\$ (352,845)	\$ 272,098
Changes of assumptions	7,878,267	-	7,878,267
Net difference between projected and actual earnings on pension plan investments	-	(3,437,752)	(3,437,752)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	100	(11,346,713)	(11,346,613)
Total to be recognized in future School District contributions subsequent to the measurement date	8,503,310	(15,137,310)	(6,634,000)
	6,348,054	(2,797,042)	3,551,012
Total	<u>\$ 14,851,364</u>	<u>\$ (17,934,352)</u>	<u>\$ (3,082,988)</u>

Garden City Public Schools

Notes to the Financial Statements

June 30, 2018

Contributions subsequent to the measurement date 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, 2019.

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)

2018	\$ (2,892,729)
2019	(1,404,876)
2020	(1,445,581)
2021	(890,814)
	<u>\$ (6,634,000)</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, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of Return:
 - MIP and Basic Plans (Non-Hybrid): 7.5%
 - 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
- 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 period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5188

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Garden City Public Schools
Notes to the Financial Statements
June 30, 2018

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. 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, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.6 %
Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
	<u>100.0%</u>	

*Long-term rates of return are net of administrative expenses and 2.3% inflation.

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5% (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 the discount rate of 7.5% (7.0% for the Hybrid 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 higher:

1% Decrease (Non-Hybrid/Hybrid)* 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 8.5% / 8.0%
<u>\$ 93,674,278</u>	<u>\$ 71,909,590</u>	<u>\$ 53,585,109</u>

*The Basic plan and the Member Investment Plan (MIP) are non-

Garden City Public Schools
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June 30, 2018

hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.

Michigan Public School Employees' Retirement System (MPERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the Michigan Public School Employees' Retirement System (MPERS)

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

Note 12 – Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPERS) 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 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's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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 on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement

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healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

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 OPEB 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, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2017.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	5.91%
Personal Healthcare Fund (PHF)	0.0%	5.69%

Required contributions to the OPEB plan from the School District were \$2,165,813 for the year ended September 30, 2017.

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

At June 30, 2018, the School District reported a liability of \$24,634,886 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the School District's proportion was .2782 percent. At September 30, 2017, the total OPEB expense for the School District was \$1,647,768.

Garden City Public Schools
Notes to the Financial Statements
June 30, 2018

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$ (262,289)	\$ (262,289)
Net difference between projected and actual earnings on OPEB plan investments	-	(570,550)	(570,550)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	613	-	613
Total to be recognized in future School District contributions subsequent to the measurement date	1,542,762	-	1,542,762
Total	\$ 1,543,375	\$ (832,839)	\$ 710,536

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)		
2018	\$	(201,120)
2019		(201,120)
2020		(201,120)
2021		(201,120)
2022		(27,746)
	\$	(832,226)

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, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of Return: 7.5%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%

Garden City Public Schools

Notes to the Financial Statements

June 30, 2018

- Healthcare Cost Trend Rate: 7.5% 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.

Other Assumptions:

- Opt Out Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.4744

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB 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 OPEB 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. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.6 %
Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
	<u>100.0%</u>	

**Long-term rates of return are net of administrative expenses and 2.3% inflation.*

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan

Garden City Public Schools
Notes to the Financial Statements
June 30, 2018

investment expense, was 11.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. 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 OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
<u>\$ 28,854,572</u>	<u>\$ 24,634,886</u>	<u>\$ 21,053,694</u>

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as

what the School District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 6.5%	Current Healthcare Cost Trend Rate 7.5%	1% Increase 8.5%
<u>\$ 20,862,437</u>	<u>\$ 24,634,886</u>	<u>\$ 28,918,239</u>

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Note 13 – Postemployment Benefits Other Than Pensions (OPEB) – Single Employer Plan

Plan Description

The Garden City School District administers the School District's Retiree Benefits Plan – a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for certain employees of the School District.

Benefits Provided

The Plan provides healthcare benefits to cover the costs of MPSERS hospitalization for certain retirees. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the plan.

Garden City Public Schools
Notes to the Financial Statements
June 30, 2018

Employees covered by benefit terms

At June 30, 2018, the plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	54
Active Employees	142
	<u>196</u>

The OPEB plan is closed to new members.

Contributions

The plan is 'pay as you go', therefore no contributions are made. Plan members are not required to contribute to the plan.

Net OPEB liability

The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement.

- Inflation rate: 3%
- Salary increases: 3.25% average, including inflation
- Investment rate of return: 3%, net OPEB plan investment expense, including inflation
- Healthcare cost trend rates: 8% for 2018, decreasing .5% per year to a rate of 5% for 2024

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for males or females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 – June 30, 2018.

Discount rate

The discount rate used to measure the total OPEB liability was 3.0%. The projection of cash flows used to determine the discount rate assumed that School District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Total OPEB Liability	
Service cost	\$ 16,165
Interest	29,581
Differences between expected and actual experience	(356,624)
Changes in assumptions	4,470
Benefit payments	<u>(53,655)</u>
	(360,063)
Net change in total OPEB liability	(360,063)
Total OPEB liability - beginning	<u>996,703</u>
Total OPEB liability - ending (a)	<u>\$ 636,640</u>

Garden City Public Schools
Notes to the Financial Statements
June 30, 2018

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.0%) or 1% higher (3.0%) than the current discount rate.

1% Decrease 2%	Current Discount Rate 3%	1% Increase 4%
<u>\$ 670,140</u>	<u>\$ 636,640</u>	<u>\$ 605,367</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if were calculated using healthcare cost trend rates that are 1% lower (7%) or 1% higher (9%) than the current healthcare cost trend rates:

1% Decrease 7%	Current Healthcare Cost Trend Rate 8%	1% Increase 9%
<u>\$ 595,402</u>	<u>\$ 636,640</u>	<u>\$ 683,271</u>

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2018 the employer recognized OPEB expense of \$53,655. The employer reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$ (294,277)	\$ (294,277)
Changes of assumptions	<u>3,689</u>	<u>-</u>	<u>3,689</u>
Total	<u>\$ 3,689</u>	<u>\$ (294,277)</u>	<u>\$ (290,588)</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)		
2018	\$	(61,566)
2019		(61,566)
2020		(61,566)
2021		(61,566)
2022		<u>(44,324)</u>
	\$	<u>(290,588)</u>

Payable to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Garden City Public Schools
Notes to the Financial Statements
June 30, 2018

Note 14 – Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by the City of Garden City. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities.

For the fiscal year ended June 30, 2018, the School District's property tax revenues were reduced by \$5,945 under these programs.

There are no significant abatements made by the School District.

Note 15 – Adoption of New Accounting Standards

As indicated in Note 1, the School District has adopted Governmental Accounting Standards Board Statement 75. This required the School District to record their proportionate share of the net OPEB liability and OPEB expense. Previously, these amounts were not recorded on the School District's statements. The standards require this change to be applied retroactively. The impact of this change is to reduce beginning net position in the statement of activities as of July 1, 2017 by \$24,403,308, restating it from (\$72,264,428) to (\$96,667,736). This also encompasses a change in the internal service fund to reduce beginning net position in the statement of activities as of July 1, 2017 by \$690,724, restating it from \$0 to (\$690,724).

REQUIRED SUPPLEMENTARY INFORMATION

Garden City Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Local sources	\$ 3,957,304	\$ 4,168,967	\$ 4,161,163	\$ (7,804)
State sources	34,385,200	36,315,647	35,894,441	(421,206)
Federal sources	2,015,823	2,131,068	1,861,320	(269,748)
Interdistrict sources	<u>1,853,906</u>	<u>1,881,892</u>	<u>1,857,837</u>	<u>(24,055)</u>
 Total revenues	 <u>42,212,233</u>	 <u>44,497,574</u>	 <u>43,774,761</u>	 <u>(722,813)</u>
 Expenditures				
Instruction				
Basic programs	14,981,589	15,330,701	15,453,479	122,778
Added needs	5,545,332	5,914,667	5,609,529	(305,138)
Supporting services				
Pupil	3,094,410	3,202,777	3,139,041	(63,736)
Instructional staff	1,817,859	1,879,216	1,728,465	(150,751)
General administration	549,217	539,694	493,221	(46,473)
School administration	2,574,376	2,586,792	2,477,824	(108,968)
Business	1,091,290	1,029,158	923,821	(105,337)
Operations and maintenance	3,430,841	3,384,349	3,296,992	(87,357)
Pupil transportation services	1,540,725	1,534,443	1,472,549	(61,894)
Central	1,430,244	1,405,572	1,347,294	(58,278)
Athletic activities	419,100	415,999	367,049	(48,950)
Other	29,074	38,000	81,857	43,857
Community services	547,377	651,524	574,332	(77,192)
Intergovernmental payments	91,000	91,000	73,000	(18,000)
Capital outlay	678,952	750,637	526,106	(224,531)

Garden City Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Debt service				
Principal	\$ 131,059	\$ 131,059	\$ 102,078	\$ (28,981)
Interest and fiscal charges	<u>5,300</u>	<u>5,300</u>	<u>3,232</u>	<u>(2,068)</u>
Total debt service	<u>136,359</u>	<u>136,359</u>	<u>105,310</u>	<u>(31,049)</u>
 Total expenditures	<u>37,957,745</u>	<u>38,890,888</u>	<u>37,669,869</u>	<u>(1,221,019)</u>
 Excess (deficiency) of revenues over expenditures	<u>4,254,488</u>	<u>5,606,686</u>	<u>6,104,892</u>	<u>498,206</u>
 Other Financing Sources (Uses)				
Transfers in	1,500,000	1,500,000	1,206,197	(293,803)
Transfers out	<u>(5,000,000)</u>	<u>(5,000,000)</u>	<u>(4,574,034)</u>	<u>(425,966)</u>
 Total other financing sources (uses)	<u>(3,500,000)</u>	<u>(3,500,000)</u>	<u>(3,367,837)</u>	<u>(132,163)</u>
 Net change in fund balance	754,488	2,106,686	2,737,055	630,369
 Fund balance - beginning	<u>3,307,845</u>	<u>3,307,845</u>	<u>3,307,845</u>	<u>-</u>
 Fund balance - ending	<u>\$ 4,062,333</u>	<u>\$ 5,414,531</u>	<u>\$ 6,044,900</u>	<u>\$ 630,369</u>

Garden City Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - Special Education Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Federal sources	\$ 391,230	\$ 399,210	\$ 399,210	\$ -
Interdistrict sources	<u>7,785,427</u>	<u>8,334,275</u>	<u>8,324,618</u>	<u>(9,657)</u>
Total revenues	<u>8,176,657</u>	<u>8,733,485</u>	<u>8,723,828</u>	<u>(9,657)</u>
Expenditures				
Current				
Education				
Instruction	8,651,279	9,283,703	9,122,745	(160,958)
Supporting services	2,944,728	2,861,370	2,936,258	74,888
Facilities acquisition	50,000	50,000	-	(50,000)
Capital outlay	16,100	24,536	24,536	-
Debt service				
Principal	<u>14,550</u>	<u>13,876</u>	<u>8,126</u>	<u>(5,750)</u>
Total expenditures	<u>11,676,657</u>	<u>12,233,485</u>	<u>12,091,665</u>	<u>(141,820)</u>
Excess (deficiency) of revenues over expenditures	<u>(3,500,000)</u>	<u>(3,500,000)</u>	<u>(3,367,837)</u>	<u>132,163</u>
Other Financing Sources (Uses)				
Transfers in	5,000,000	5,000,000	4,574,034	(425,966)
Transfers out	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>(1,206,197)</u>	<u>293,803</u>
Total other financing sources (uses)	<u>3,500,000</u>	<u>3,500,000</u>	<u>3,367,837</u>	<u>(132,163)</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, of Each June Fiscal Year)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
School District's proportion of net pension liability (%)	0.27750%	0.30440%	0.33860%	0.35806%						
School District's proportionate share of net pension liability	\$ 71,909,590	\$ 75,948,014	\$ 82,700,478	\$ 78,867,095						
School District's covered-employee payroll	\$ 22,729,732	\$ 24,518,412	\$ 28,234,957	\$ 30,446,145						
School District's proportionate share of net pension liability as a percentage of its covered- employee payroll	31.61%	32.28%	34.14%	38.60%						
Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	63.17%	66.20%						

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

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

	For the Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contributions	\$ 6,508,626	\$ 4,261,426	\$ 4,506,288	\$ 6,456,147						
Contributions in relation to statutorily required contributions	<u>6,508,626</u>	<u>4,261,426</u>	<u>4,506,288</u>	<u>6,456,147</u>						
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
School District's covered-employee payroll	23,316,252	22,724,285	23,660,641	29,029,317						
Contributions as a percentage of covered-employee payroll	27.91%	18.75%	19.05%	22.24%						

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
School District's proportion of net OPEB liability (%)	0.27820%									
School District's proportionate share of net OPEB liability	\$ 24,634,886									
School District's covered-employee payroll	\$ 22,729,732									
School District's proportionate share of net OPEB liability as a percentage of its covered- employee payroll	92.27%									
Plan fiduciary net position as a percentage of total OPEB liability	36.39%									

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

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

	For the Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contributions	\$ 2,165,813									
Contributions in relation to statutorily required contributions	<u>2,165,813</u>									
Contribution deficiency (excess)	<u>\$ -</u>									
School District's covered-employee payroll	23,316,252									
Contributions as a percentage of covered-employee payroll	9.29%									

Garden City Public Schools
Required Supplementary Information
Schedule of Changes in Total OPEB Liability and Related Ratios
Single Employer OPEB Plan
June 30, 2018

Fiscal year ended June 30,	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 16,165
Interest	29,581
Differences between expected and actual experience	(356,624)
Changes in assumptions	4,470
Benefit payments	<u>(53,655)</u>
Net change in total OPEB liability	(360,063)
Total OPEB liability - beginning	<u>996,703</u>
Total OPEB liability - ending (a)	<u>\$ 636,640</u>

*GASB Statement No. 75 was implemented for the fiscal year ended June 30, 2018 and does not require retroactive implementation.
Data will be added as information is available until 10 years of such data is available.

Garden City Public Schools
Required Supplementary Information
Schedule of the School District's Contributions - Single Employer Plan
Single Employer OPEB Plan
June 30, 2018

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2018	\$ 53,655	\$ 53,655	\$ -	N/A	N/A

Notes to Schedule of Contributions

Valuation date: June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	N/A - plan is not pre-funded
Remaining amortization period	N/A
Asset valuation method	N/A - plan is not pre-funded
Inflation	Capped reimbursement amounts - no inflation assumed
Healthcare cost trend rates	8% initial, decreasing to an ultimate rate of 5% over 6 years
Salary increases	1.00%
Investment rate of return	3.00%
Retirement age	Various
Mortality	2018 IRS 1.430(h) Annuitant and Non-annuitant (sex distinct) tables

OTHER SUPPLEMENTARY INFORMATION

Garden City Public Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Special Revenue Fund	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
	Food Service	2016 Refunding Bond	Sinking Fund	
Assets				
Cash	\$ 598,622	\$ 917,820	\$ 1,676,700	\$ 3,193,142
Taxes receivable	-	134,297	55,704	190,001
Accounts receivable	52,786	-	-	52,786
Due from other funds	18,379	-	51,320	69,699
Due from other governmental units	9,303	-	-	9,303
Inventory	12,669	-	-	12,669
Total assets	\$ 691,759	\$ 1,052,117	\$ 1,783,724	\$ 3,527,600
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 79,523	\$ -	\$ 653,588	\$ 733,111
Due to other funds	-	88	-	88
Total liabilities	79,523	88	653,588	733,199
Fund Balance				
Non-spendable				
Inventory	12,669	-	-	12,669
Restricted for				
Food service	599,567	-	-	599,567
Debt service	-	1,052,029	-	1,052,029
Sinking fund	-	-	1,130,136	1,130,136
Total fund balance	612,236	1,052,029	1,130,136	2,794,401
Total liabilities and fund balance	\$ 691,759	\$ 1,052,117	\$ 1,783,724	\$ 3,527,600

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, 2018

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	2016 Refunding Bond	Sinking Fund	
Revenues				
Local sources	\$ 369,232	\$ 2,437,419	\$ 1,013,047	\$ 3,819,698
State sources	67,659	8,243	-	75,902
Federal sources	1,020,252	-	-	1,020,252
	<u>1,457,143</u>	<u>2,445,662</u>	<u>1,013,047</u>	<u>4,915,852</u>
Expenditures				
Current				
Education				
Food services	1,346,625	-	-	1,346,625
Facilities acquisition	-	-	1,517,002	1,517,002
Debt service				
Principal	-	1,470,000	-	1,470,000
Interest and other expenditures	-	1,039,753	6,035	1,045,788
	<u>1,346,625</u>	<u>2,509,753</u>	<u>1,523,037</u>	<u>5,379,415</u>
Excess (deficiency) of revenues over expenditures	<u>110,518</u>	<u>(64,091)</u>	<u>(509,990)</u>	<u>(463,563)</u>
Fund balance - beginning	<u>501,718</u>	<u>1,116,120</u>	<u>1,640,126</u>	<u>3,257,964</u>
Fund balance - ending	<u>\$ 612,236</u>	<u>\$ 1,052,029</u>	<u>\$ 1,130,136</u>	<u>\$ 2,794,401</u>

Garden City Public Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2018

Year Ending June 30,	2016 Refunding
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>\$ 19,280,000</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>