

# **School District of the City of Garden City**

---

**Financial Report  
with Supplementary Information  
June 30, 2009**

# School District of the City of Garden City

---

## Contents

<b>Independent Auditor's Report</b>	1-2
<b>Management's Discussion and Analysis</b>	3-10
<b>Basic Financial Statements</b>	
District-wide Financial Statements:	
Statement of Net Assets (Deficit)	11
Statement of Activities	12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	13
Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit)	15
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities	16
Fiduciary Funds:	
Statement of Fiduciary Net Assets	17
Statement of Changes in Fiduciary Net Assets	18
Notes to Financial Statements	19-34
<b>Required Supplementary Information</b>	35
Budgetary Comparison Schedule - General Fund	36
Budgetary Comparison Schedule - Special Education Special Revenue Fund	37
<b>Other Supplementary Information</b>	38
Nonmajor Governmental Funds:	
Combining Balance Sheet	39-40
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit)	41-42
Schedule of Bonded Indebtedness	43
<b>Federal Awards Supplementary Information</b>	Issued Under Separate Cover



**Plante & Moran, PLLC**  
27400 Northwestern Highway  
P.O. Box 307  
Southfield, MI 48037-0307  
Tel: 248.352.2500  
Fax: 248.352.0018  
plantemoran.com

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of the City of Garden City as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District of the City of Garden City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of the City of Garden City as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 11, the School District has implemented a new method of reporting and recording the other postemployment benefit obligations, as required by the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as of June 30, 2009.

As more fully discussed in the management's discussion and analysis section and Note 2 of the financial statements, the School District's General Fund is in a \$471,000 deficit position at June 30, 2009. Management represents that the School District anticipates further loss of students for the fiscal year ending June 30, 2010 and on-going significant cash flow issues. State law requires the School District to implement cost-cutting initiatives that will bring expenditures in line with expected current revenues and eliminate the General Fund deficit.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated November 25, 2009 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Plante & Moran, PLLC*

November 25, 2009

# School District of the City of Garden City

## Management's Discussion and Analysis

This section of the School District of the City of Garden City's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2009. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

### Using this Annual Report

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

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

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 assets (deficit) and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

# School District of the City of Garden City

---

## Management's Discussion and Analysis (Continued)

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

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

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

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

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

# School District of the City of Garden City

## Management's Discussion and Analysis (Continued)

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

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

### **The School District as a Whole**

Recall that the statement of net assets (deficit) provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets (deficit) as of June 30, 2009 and 2008.

TABLE I

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 19.2	\$ 15.5
Capital assets	<u>35.1</u>	<u>36.8</u>
Total assets	54.3	52.3
<b>Liabilities</b>		
Current liabilities	19.1	19.2
Long-term liabilities	<u>38.4</u>	<u>38.0</u>
Total liabilities	<u>57.5</u>	<u>57.2</u>
<b>Net Assets (Deficit)</b>		
Invested in property and equipment - Net of related debt	(1.6)	(2.0)
Restricted	0.5	0.5
Unrestricted	<u>(2.1)</u>	<u>(3.4)</u>
Total net deficit	<u><b>\$ (3.2)</b></u>	<u><b>\$ (4.9)</b></u>

# School District of the City of Garden City

## Management's Discussion and Analysis (Continued)

The above analysis focuses on the net assets (deficit) (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net deficit was \$3.2 million at June 30, 2009. Capital assets, net of related debt totaling approximately (\$1.6) million, compares the original cost, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net deficit, \$2.1 million, was unrestricted.

The \$2.1 million in unrestricted net deficit of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net deficit from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net deficit for fiscal years 2009 and 2008.

TABLE 2

	Governmental Activities	
	2009	2008
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 1.4	\$ 1.6
Operating grants/Contributions	21.8	21.2
General revenue:		
Property taxes	6.0	5.5
State foundation allowance	37.0	38.0
Federal sources - Unrestricted	1.9	-
Other	0.1	0.3
Total revenue	68.2	66.6

# School District of the City of Garden City

## Management's Discussion and Analysis (Continued)

TABLE 2 (Continued)

	Governmental Activities	
	2009	2008
	(in millions)	
<b>Functions/Program Expenses</b>		
Instruction	\$ 42.8	\$ 42.1
Support services	20.1	19.0
Community services	0.3	0.3
Food service	1.4	1.3
Athletics	0.3	0.3
Interest on long-term debt	1.6	1.7
Total functions/program expenses	<u>66.5</u>	<u>64.7</u>
<b>Decrease in Net Deficit</b>	<u><b>\$ 1.7</b></u>	<u><b>\$ 1.9</b></u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$66.5 million. Certain activities were partially funded from those who benefited from the programs (\$1.4 million), or by other governments and organizations that subsidized certain programs with grants and contributions (\$21.8 million). We paid for the remaining “public benefit” portion of our governmental activities with \$6.0 million in taxes, \$37.0 million in state foundation allowance, \$1.9 million in unrestricted federal funds, and with our other revenues, i.e., interest and general entitlements.

The School District experienced a \$1.7 million increase in net assets. More detailed information is presented in the reconciliation of the statement of revenue, expenditures, and changes in fund balances (deficit) of governmental funds to the statement of activities.

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

### The School District’s Funds

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

# School District of the City of Garden City

## Management's Discussion and Analysis (Continued)

As the School District completed this year, the governmental funds reported a combined fund balance of \$297,304, which is an increase of \$1.0 million from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance increased \$1.0 million to a \$0.5 million deficit at June 30, 2009 from a \$1.5 million deficit at June 30, 2008. The positive change is due to cost-cutting measures that the School District has implemented in conformance with the Deficit Elimination Plan as approved by the Michigan Department of Education.

Combined, the Debt Service Funds showed a fund balance decrease of approximately \$13,000. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Durant debt obligations are funded by annual state appropriation, and no fund balance exists at year end. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

### **General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in February 2009, and due to time and staffing constraints, a year-end budget revision was not developed. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements.

During the year, the budget was amended in a legally permissible manner. There were no significant amendments adopted during the year.

Variances between the final budget and actual amounts for state and federal source revenues related to a decrease in discretionary revenue and the related increase in federal stabilization (stimulus) funds. Instruction expenditures were less than final budget due primarily to under-spending of salaries and secondarily due to under-spending of supply, capital outlay, and other expenditures.

### **Special Education Special Revenue Fund Budgetary Highlights**

The Special Education Center Program revenue and corresponding expenditure budget was not amended during the year due to time and staffing constraints. The program is operated by the School District for Wayne County RESA to provide instructional and non-instructional services for autistic students from Wayne County.

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

# School District of the City of Garden City

## Management's Discussion and Analysis (Continued)

### Capital Assets and Debt Administration

#### *Capital Assets*

As of June 30, 2009, the School District had \$35.1 million invested in a broad range of capital assets, including buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$1.7 million.

	<u>2009</u>	<u>2008</u>
Construction in progress	\$ 264,560	\$ 264,560
Buildings and building improvements	57,747,322	57,372,210
Buses and other vehicles	1,835,410	1,835,410
Furniture and equipment	<u>4,015,184</u>	<u>3,993,602</u>
Total capital assets	63,862,476	63,465,782
Less accumulated depreciation	<u>(28,756,859)</u>	<u>(26,665,073)</u>
Net capital assets	<u><b>\$ 35,105,617</b></u>	<u><b>\$ 36,800,709</b></u>

This year's capital asset additions included building improvements and furniture and equipment. 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 \$36.6 million in bonds outstanding versus \$38.4 million in the previous year - a change of 4.7 percent. Those bonds consisted of the following:

	<u>2009</u>	<u>2008</u>
2006 General Obligation Bonds	\$ 23,775,000	\$ 23,800,000
2005 General Obligation Bonds	7,835,000	7,850,000
2004 General Obligation Bonds	2,185,000	3,190,000
2001 General Obligation Bonds	1,240,000	1,865,000
Durant Non-Plaintiff Bonds	<u>1,561,401</u>	<u>1,723,883</u>
Total bonds outstanding	<u><b>\$ 36,596,401</b></u>	<u><b>\$ 38,428,883</b></u>

# **School District of the City of Garden City**

## **Management's Discussion and Analysis (Continued)**

The School District's general obligation bond rating stands at BBB+. 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 \$36,596,401 is significantly below this \$107.2 million statutorily imposed limit.

Other obligations include accrued vacation pay, sick leave, and term notes. We present more detailed information about our long-term liabilities in the notes to the financial statements.

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

Our elected officials and administration consider many factors when setting the School District's 2010 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2010 fiscal year is 25 percent and 75 percent of the February 2009 and September 2009 student counts, respectively. The 2010 budget was adopted in June 2009, based on an estimate of students that will be enrolled in September 2009. Approximately 84 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2009-2010 school year, we anticipate that the fall student count will be moderately less than the estimates used in creating the 2010 budget. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

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

# School District of the City of Garden City

## Statement of Net Assets (Deficit) June 30, 2009

	Primary Government <u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents (Note 3)	\$ 8,204,914
Receivables - Net (Note 4)	10,106,662
Inventories	48,788
Prepaid costs and other assets	520,669
Restricted assets	269,226
Capital assets - Net (Note 5)	<u>35,105,617</u>
Total assets	54,255,876
<b>Liabilities</b>	
Accounts payable	564,281
Accrued payroll-related liabilities	7,174,194
State aid anticipation note (Note 12)	6,200,000
Accrued interest	229,837
Due to other governmental units	462,157
Other current liabilities	160,639
Line of credit (Note 7)	3,970,000
Deferred revenue (Note 4)	286,748
Noncurrent liabilities (Note 8):	
Due within one year	2,637,213
Due in more than one year	<u>35,842,854</u>
Total liabilities	<u>57,527,923</u>
<b>Net Assets (Deficit)</b>	
Invested in capital assets - Net of related debt	(1,621,038)
Restricted - Debt service	508,154
Unrestricted	<u>(2,159,163)</u>
Total net assets (deficit)	<u><u>\$ (3,272,047)</u></u>

# School District of the City of Garden City

## Statement of Activities Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		Governmental
		Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Assets
Primary government - Governmental activities:				
Instruction	\$ 42,864,968	\$ 162,323	\$ 14,706,222	\$ (27,996,423)
Support services	20,115,683	-	6,302,667	(13,813,016)
Athletics	336,746	96,164	-	(240,582)
Food services	1,397,258	613,575	765,400	(18,283)
Community services	281,412	255,511	-	(25,901)
Other	808	307,613	-	306,805
Interest	1,639,710	-	-	(1,639,710)
Total primary government	<u>\$ 66,636,585</u>	<u>\$ 1,435,186</u>	<u>\$ 21,774,289</u>	(43,427,110)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				2,715,883
Property taxes, levied for debt service				3,330,964
State aid not restricted to specific purposes				36,954,625
Federal sources - Unrestricted				1,971,132
Interest earnings				111,077
Total general revenues				<u>45,083,681</u>
<b>Change in Net Assets</b>				1,656,571
<b>Net Deficit - Beginning of year</b>				<u>(4,928,618)</u>
<b>Net Deficit - End of year</b>				<u><b>\$ (3,272,047)</b></u>

# School District of the City of Garden City

## Governmental Funds Balance Sheet June 30, 2009

	General Fund	Special Education Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 7,772,366	\$ -	\$ 432,548	\$ 8,204,914
Receivables (Note 4)	9,338,173	452,579	315,910	10,106,662
Due from other funds (Note 6)	176,277	110,309	186,385	472,971
Inventories	26,036	-	22,752	48,788
Prepaid costs and other assets	520,669	-	-	520,669
Restricted assets	-	-	269,226	269,226
<b>Total assets</b>	<b>\$17,833,521</b>	<b>\$ 562,888</b>	<b>\$ 1,226,821</b>	<b>\$ 19,623,230</b>
<b>Liabilities and Fund Balances (Deficit)</b>				
<b>Liabilities</b>				
Accounts payable	\$ 433,926	\$ 31,823	\$ 98,532	\$ 564,281
Accrued payroll-related liabilities	6,094,194	-	-	6,094,194
State aid anticipation note (Note 12)	6,200,000	-	-	6,200,000
Due to other governmental units	401,019	61,138	-	462,157
Other accrued liabilities	160,639	-	-	160,639
Line of credit (Note 7)	3,970,000	-	-	3,970,000
Due to other funds (Note 6)	110,309	15,749	346,913	472,971
Deferred revenue (Note 4)	934,932	454,178	12,574	1,401,684
<b>Total liabilities</b>	<b>18,305,019</b>	<b>562,888</b>	<b>458,019</b>	<b>19,325,926</b>
<b>Fund Balances (Deficit)</b>				
Reserved:				
Encumbrances (Note 5)	310,984	-	250,447	561,431
Capital projects (bonded)	-	-	10,201	10,201
Debt service	-	-	508,154	508,154
Inventories	26,036	-	-	26,036
Prepaid costs	520,339	-	-	520,339
Unreserved - Undesignated	(1,328,857)	-	-	(1,328,857)
<b>Total fund balances (deficit)</b>	<b>(471,498)</b>	<b>-</b>	<b>768,802</b>	<b>297,304</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$17,833,521</b>	<b>\$ 562,888</b>	<b>\$ 1,226,821</b>	<b>\$ 19,623,230</b>

# School District of the City of Garden City

## Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets (Deficit) June 30, 2009

<b>Fund Balance Reported in Governmental Funds</b>	\$	297,304
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of capital assets	\$ 63,862,476	
Accumulated depreciation	<u>(28,756,859)</u>	35,105,617
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds		1,114,936
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:		
Bonds and notes payable	(36,757,466)	
Compensated absences	(1,665,582)	
Other postemployment obligation	<u>(57,019)</u>	(38,480,067)
Accrued interest payable is not included as a liability in governmental funds		(229,837)
Self-insurance accrual is not included as a liability in the governmental funds		<u>(1,080,000)</u>
<b>Net Assets (Deficit) of Governmental Activities</b>	<b>\$</b>	<b><u>(3,272,047)</u></b>

# School District of the City of Garden City

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended June 30, 2009

	General Fund	Special Education Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>				
Local sources	\$ 3,216,053	\$ 25,841	\$ 4,393,208	\$ 7,635,102
State sources	36,483,619	4,774,216	289,371	41,547,206
Federal sources	4,549,009	-	681,054	5,230,063
Interdistrict sources and other	1,415,396	12,099,593	-	13,514,989
Total revenue	<u>45,664,077</u>	<u>16,899,650</u>	<u>5,363,633</u>	<u>67,927,360</u>
<b>Expenditures</b>				
Current:				
Instruction	29,053,816	12,471,826	-	41,525,642
Support services	15,616,690	3,370,855	24,155	19,011,700
Athletics	-	-	336,746	336,746
Food services	-	-	1,392,341	1,392,341
Community services	17,061	-	264,351	281,412
Other	146,124	-	-	146,124
Debt service:				
Principal	-	-	1,832,482	1,832,482
Interest	-	-	1,726,762	1,726,762
Other	-	-	3,997	3,997
Capital outlay	642,644	-	15,621	658,265
Total expenditures	<u>45,476,335</u>	<u>15,842,681</u>	<u>5,596,455</u>	<u>66,915,471</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	187,742	1,056,969	(232,822)	1,011,889
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,056,969	-	239,758	1,296,727
Transfers out	(239,758)	(1,056,969)	-	(1,296,727)
Total other financing sources (uses)	<u>817,211</u>	<u>(1,056,969)</u>	<u>239,758</u>	<u>-</u>
<b>Net Change in Fund Balances (Deficit)</b>	1,004,953	-	6,936	1,011,889
<b>Fund Balances (Deficit) - Beginning of year</b>	<u>(1,476,451)</u>	<u>-</u>	<u>761,866</u>	<u>(714,585)</u>
<b>Fund Balances (Deficit) - End of year</b>	<u>\$ (471,498)</u>	<u>\$ -</u>	<u>\$ 768,802</u>	<u>\$ 297,304</u>

# School District of the City of Garden City

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities Year Ended June 30, 2009

**Net Change in Fund Balances - Total Governmental Funds** \$ 1,011,889

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

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

Depreciation expense	\$ (2,091,786)	
Capitalized capital outlay	<u>396,694</u>	(1,695,092)

Revenue is reported in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	365,796
---	---------

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,832,482
---	-----------

Bus note principal payments	145,316
-----------------------------	---------

Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	91,049
--	--------

Compensated absences, self-insured liability claims, and other retirement obligations are recorded when earned in the statement of activities. In the current year, more was earned than was paid out	<u>(94,869)</u>
---	-----------------

**Change in Net Assets of Governmental Activities** \$ 1,656,571

# School District of the City of Garden City

## Fiduciary Funds Statement of Fiduciary Net Assets June 30, 2009

	Student Activities Agency Fund	Private Purpose Trust Funds
<b>Assets</b>		
Cash and investments	\$ 495,827	\$ 124,182
Due from other funds	<u>-</u>	<u>4,135</u>
Total assets	<u><b>\$ 495,827</b></u>	128,317
<b>Liabilities</b>		
Accounts payable	\$ 2,317	500
Due to student activities	396,474	-
Due to other funds	<u>97,036</u>	<u>-</u>
Total liabilities	<u><b>\$ 495,827</b></u>	<u>500</u>
<b>Net Assets</b> - Designated for scholarships		<u><b>\$ 127,817</b></u>

# School District of the City of Garden City

---

## Fiduciary Funds Statement of Changes in Fiduciary Net Assets Year Ended June 30, 2009

	Private Purpose Trust
<b>Additions</b> - Local sources	\$ 10,000
<b>Deductions</b> - Scholarships granted	<u>13,618</u>
<b>Change in Net Assets</b>	(3,618)
<b>Net Assets</b> - Beginning of year	<u>131,435</u>
<b>Net Assets</b> - End of year	<u><u>\$ 127,817</u></u>

# School District of the City of Garden City

---

## Notes to Financial Statements June 30, 2009

### Note I - Summary of Significant Accounting Policies

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

#### **Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

#### **District-wide and Fund Financial Statements**

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

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

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

# School District of the City of Garden City

## Notes to Financial Statements June 30, 2009

### Note I - Summary of Significant Accounting Policies (Continued)

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

**Fund Financial Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The School District reports the following major governmental funds:

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

# School District of the City of Garden City

---

## Notes to Financial Statements June 30, 2009

### Note I - Summary of Significant Accounting Policies (Continued)

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

Additionally, the School District reports the following fund types:

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's Special Revenue Funds include the Food Services and School Services Funds. Any operating deficit generated by these activities is the responsibility of the General Fund.

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

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

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

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

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

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

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

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

# School District of the City of Garden City

## Notes to Financial Statements June 30, 2009

### Note I - Summary of Significant Accounting Policies (Continued)

**Restricted Assets** - The unspent bond proceeds and related interest of the Capital Projects Funds require amounts to be set aside for construction. These amounts have been classified as restricted assets and total \$269,226 at year end.

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

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

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

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

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

**Long-term Obligations** - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets (deficit).

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

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

# School District of the City of Garden City

---

## Notes to Financial Statements June 30, 2009

### Note 2 - Stewardship, Compliance, and Accountability

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General, Special Revenue, Debt Service, and Capital Projects Funds, except for operating transfers in, transfers out, and proceeds from debt issuance, which are classified within revenue and expenditures rather than within other financing sources (uses). All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and activity. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the activity level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner.

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

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The School District did not have significant expenditure budget variances.

**Fund Deficit** - As of June 30, 2009, the School District has an accumulated fund balance deficit in the General Fund approximating \$471,000. The deficit is a violation of State law. A deficit elimination plan, as required, has been filed with the State of Michigan.

### Note 3 - Deposits

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

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

# School District of the City of Garden City

---

## Notes to Financial Statements June 30, 2009

### Note 3 - Deposits (Continued)

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

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. At year end, the School District's deposit balance of \$8,196,708 had \$7,516,384 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

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

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

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

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

# School District of the City of Garden City

## Notes to Financial Statements June 30, 2009

### Note 4 - Receivables

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

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$ 376,641	\$ -	\$ 205,457	\$ 582,098
Accounts	195,777	-	-	195,777
Intergovernmental	8,765,755	452,579	110,453	9,328,787
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net receivables	\$ 9,338,173	\$ 452,579	\$ 315,910	\$ 10,106,662

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes	\$ 133,968	\$ -
Interdistrict special education payments	454,178	-
Grant payments not received	526,790	-
Grant and categorical aid payments received prior to meeting all eligibility requirements	-	249,840
Other	-	36,908
	<u>          </u>	<u>          </u>
Total	\$ 1,114,936	\$ 286,748

# School District of the City of Garden City

## Notes to Financial Statements June 30, 2009

### Note 5 - Capital Assets

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

<b>Governmental Activities</b>	<u>Balance July 1, 2008</u>	<u>Additions/ Reclassifications</u>	<u>Disposals/ Reclassifications</u>	<u>Balance June 30, 2009</u>
Capital assets not being depreciated - Construction in progress	\$ 264,560	\$ -	\$ -	\$ 264,560
Capital assets being depreciated:				
Buildings and building improvements	57,372,210	375,112	-	57,747,322
Furniture and equipment	3,993,602	21,582	-	4,015,184
Buses and other vehicles	1,835,410	-	-	1,835,410
Subtotal	63,201,222	396,694	-	63,597,916
Accumulated depreciation:				
Buildings and building improvements	22,790,235	1,622,172	-	24,412,407
Furniture and equipment	2,309,900	375,088	-	2,684,988
Buses and other vehicles	1,564,938	94,526	-	1,659,464
Subtotal	26,665,073	2,091,786	-	28,756,859
Net capital assets being depreciated	36,536,149	(1,695,092)	-	34,841,057
Net capital assets	\$ 36,800,709	\$ (1,695,092)	\$ -	\$ 35,105,617

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

Governmental activities:	
Instruction	\$ 1,464,250
Support services	627,536
Total governmental activities	\$ 2,091,786

**Construction Commitments** - The School District has active construction projects at year end. The School District's commitments with contractors for the 2001 bond renovation at June 30, 2009 are as follows:

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

# School District of the City of Garden City

## Notes to Financial Statements June 30, 2009

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

The composition of interfund balances is as follows:

Fund Due To	Fund Due From			Total
	General Fund	Special Education Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 15,749	\$ 160,528	\$ 176,277
Special Education Fund	110,309	-	-	110,309
Nonmajor governmental funds	-	-	186,385	186,385
Total	<u>\$ 110,309</u>	<u>\$ 15,749</u>	<u>\$ 346,913</u>	<u>\$ 472,971</u>

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

Transfers In	Fund Advanced From		Total
	General Fund	Special Education Fund	
General Fund	\$ -	\$ 1,056,969	\$ 1,056,969
Other nonmajor governmental funds	239,758	-	239,758
Total	<u>\$ 239,758</u>	<u>\$ 1,056,969</u>	<u>\$ 1,296,727</u>

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

### Note 7 - Line of Credit

The School District has a line of credit agreement with a bank with available borrowings up to \$7,000,000. Any outstanding balance bears interest at the bank's prime rate less 2.25 percent. At June 30, 2009, the School District had an outstanding balance of \$3,970,000. The line of credit expired on August 19, 2009.

On August 20, 2009, the School District entered into a line of credit agreement with a bank with available borrowings up to \$11,000,000. Any outstanding balance bears interest at the 2.50 percent. The line of credit expires on August 19, 2010.

# School District of the City of Garden City

## Notes to Financial Statements June 30, 2009

### Note 8 - Long-term Debt

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

Long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds	\$ 36,705,000	\$ -	\$ 1,670,000	\$ 35,035,000	\$ 1,725,000
Durant Non-Plaintiff Bond	1,723,883	-	162,482	1,561,401	170,211
Total bonds payable	38,428,883	-	1,832,482	36,596,401	1,895,211
Notes	306,381	-	145,316	161,065	95,834
Custodial employees' termination settlement	57,565	-	57,565	-	-
Employee compensated absences	1,776,526	421,310	532,254	1,665,582	646,168
Other postemployment benefits	-	57,019	-	57,019	-
Total governmental activities	<u>\$ 40,569,355</u>	<u>\$ 478,329</u>	<u>\$ 2,567,617</u>	<u>\$ 38,480,067</u>	<u>\$ 2,637,213</u>

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

<u>Years Ending June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,991,045	\$ 1,674,257	\$ 3,665,302
2011	2,000,714	1,602,324	3,603,038
2012	1,354,630	1,518,972	2,873,602
2013	2,216,077	1,794,060	4,010,137
2014	1,235,000	1,383,400	2,618,400
2015-2019	7,080,000	5,938,750	13,018,750
2020-2024	8,520,000	4,024,552	12,544,552
2025-2029	8,870,000	1,982,028	10,852,028
2030-2031	3,490,000	235,350	3,725,350
Total	<u>\$ 36,757,466</u>	<u>\$ 20,153,693</u>	<u>\$ 56,911,159</u>

# School District of the City of Garden City

## Notes to Financial Statements June 30, 2009

### Note 8 - Long-term Debt (Continued)

#### Governmental Activities

General obligation bonds consist of the following:

\$36,585,000 of 2001 serial bonds due in annual installments of \$620,000 through May 1, 2011; interest at 4.10 percent to 4.30 percent	\$ 1,240,000
\$6,785,000 of 2004 refunding bonds due in annual installments of \$1,005,000 to \$1,120,000 through May 1, 2011; interest at 2.75 percent to 4.00 percent	2,185,000
\$2,919,543 School Improvement Bond, Series 1998 Durant Non-Plaintiff Bond due in annual installments of \$170,211 to \$1,026,075 from May 15, 2009 through May 15, 2013; interest at 4.761 percent	1,561,401
\$7,880,000 of 2005 refunding bonds due in annual installments of \$15,000 to \$1,455,000 through May 1, 2018; interest at 3.25 percent to 5.00 percent	7,835,000
\$23,860,000 of 2006 refunding bonds due in annual installments of \$25,000 to \$1,785,000 through May 1, 2031; interest at 4.00 percent to 5.00 percent	<u>23,775,000</u>
Total bonded debt	<u>\$ 36,596,401</u>

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

# School District of the City of Garden City

## Notes to Financial Statements June 30, 2009

### Note 8 - Long-term Debt (Continued)

Notes consist of the following:

Date	Original Amount	Due Date	Interest Rate	Remaining to Maturity	
				Interest	Principal
08/18/03	\$ 264,883	Annually through August 18, 2009	4.90 %	\$ 2,163	\$ 44,149
10/29/04	113,296	Annually through November 1, 2010	4.09	2,503	40,614
09/06/05	52,258	Annually through November 1, 2009	3.50	380	10,861
11/01/05	<u>122,377</u>	Annually through November 1, 2011	4.75	<u>6,313</u>	<u>65,441</u>
Total	<u>\$ 552,814</u>			<u>\$ 11,359</u>	<u>\$ 161,065</u>

Other governmental activities long-term obligations are for employee compensated absences of \$1,665,582.

### Note 9 - Risk Management

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

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

# School District of the City of Garden City

## Notes to Financial Statements June 30, 2009

### Note 9 - Risk Management (Continued)

For risk retention situations, the School District estimates the liability for health and dental claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the district-wide statements. The self-insurance accrual at June 30, 2009 is \$450,000. Changes in the estimated liability for the past two fiscal years were as follows:

	2009	2008
Estimated liability - Beginning of year	\$ 873,641	\$ 882,829
Estimated claims incurred - Including changes in estimates	5,167,623	5,300,168
Claim payments	5,591,264	5,309,356
Estimated liability - End of year	\$ 450,000	\$ 873,641

### Note 10 - Defined Benefit Pension Plan and Postemployment Benefits

**Plan Description** - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

**Pension Benefits** - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate was 10.17 percent of covered payroll for the period from July 1, 2008 through September 30, 2008 and 9.73 percent for the period from October 1, 2008 through June 30, 2009. Basic plan members make no contributions, but member investment plan or MIP plus members contribute at rates ranging from 3 percent to 6.4 percent of gross wages, depending on the plan. The School District's required and actual contributions to the plan for the years ended June 30, 2009, 2008, and 2007 were approximately \$3,510,000, \$3,672,000, and \$3,940,000, respectively.

# School District of the City of Garden City

---

## Notes to Financial Statements June 30, 2009

### **Note 10 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)**

**Postemployment Benefits** - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 6.55 percent of covered payroll for the period from July 1, 2008 through September 30, 2008 and 6.81 percent for the period from October 1, 2008 through June 30, 2009. The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2009, 2008, and 2007 were approximately \$2,360,000, \$2,252,000, and \$2,460,000, respectively.

**Retiree Healthcare Benefits** - The School District has an obligation (financed on a pay-as-you-go basis) to pay healthcare premiums for early retirees in an amount not to exceed \$1,500 per year, per individual, until the retiree reaches the age of 65. Currently, approximately 98 participants are eligible to receive benefits.

### **Note 11 - Other Postemployment Benefits**

**Plan Description** - The School District has an obligation to pay healthcare premiums for eligible early retirees in amount not to exceed \$1,500 per year, per individual, until the retiree reaches the age of 65. Currently, the plan has 703 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

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

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

# School District of the City of Garden City

## Notes to Financial Statements June 30, 2009

### Note 11 - Other Postemployment Benefits (Continued)

**Funding Progress** - For the year ended June 30, 2009, the School District has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2009. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 171,333
Annual OPEB cost	\$ 171,333
Amounts contributed - Payments of current premiums	<u>(114,314)</u>
Change in net OPEB obligation	57,019
OPEB obligation - Beginning of year	<u>-</u>
OPEB obligation - End of year	<u>\$ 57,019</u>

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

Annual OPEB costs	\$ 171,333
Percentage contributed	67 %
Net OPEB obligation	\$ 57,019

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

Annual OPEB costs	\$ -
Percentage contributed	\$ 1,964,841
Net OPEB obligation	\$ 1,964,841
Funded ratio	- %

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

# School District of the City of Garden City

---

## Notes to Financial Statements June 30, 2009

### **Note 11 - Other Postemployment Benefits (Continued)**

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

In the June 30, 2009 actuarial valuation, the projected unit credit (level dollar) actuarial cost method was used. The actuarial assumptions included a 4.0 percent discount rate and life expectancies based on the 1994 GAM Static (sex-distinct) Mortality Table. The UAAL is being amortized as a level dollar amortization method on a closed basis. The remaining amortization period at June 30, 2009 was 20 years.

### **Note 12 - State Aid Anticipation Note**

On August 20, 2008, the School District of the City of Garden City borrowed \$3,970,000 on a state aid anticipation note. The note bears interest at 1.7 percent and was due on August 20, 2009. At June 30, 2009, accrued interest on this note was approximately \$56,000. The note and related interest were paid in full subsequent to year end.

## **Required Supplementary Information**

---

# School District of the City of Garden City

## Required Supplementary Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Over (Under) <u>Final Budget</u>
<b>Revenue</b>				
Local sources	\$ 3,131,330	\$ 3,090,267	\$ 3,216,053	\$ 125,786
State sources	38,900,964	38,938,738	36,483,619	(2,455,119)
Federal sources	2,986,988	2,986,988	4,549,009	1,562,021
Interdistrict sources and other	<u>1,334,066</u>	<u>1,334,066</u>	<u>1,415,396</u>	<u>81,330</u>
Total revenue	46,353,348	46,350,059	45,664,077	(685,982)
<b>Expenditures - Current</b>				
Instruction	30,428,829	30,441,323	29,259,179	(1,182,144)
Support services:				
Pupil	3,077,887	3,164,007	2,990,431	(173,576)
Instructional staff	1,866,498	1,870,275	1,850,918	(19,357)
General administration	621,116	611,050	595,806	(15,244)
School administration	2,424,381	2,443,152	2,451,495	8,343
Business	1,048,917	1,064,400	1,051,427	(12,973)
Operations and maintenance	4,462,889	4,456,663	4,445,909	(10,754)
Pupil transportation services	1,685,360	1,651,970	1,579,834	(72,136)
Central	979,706	863,101	855,317	(7,784)
Other	<u>172,343</u>	<u>172,451</u>	<u>232,834</u>	<u>60,383</u>
Total support services	16,339,097	16,297,069	16,053,971	(243,098)
Community services	20,460	20,460	17,061	(3,399)
Other	<u>200,285</u>	<u>200,285</u>	<u>146,124</u>	<u>(54,161)</u>
Total expenditures	<u>46,988,671</u>	<u>46,959,137</u>	<u>45,476,335</u>	<u>(1,482,802)</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	(635,323)	(609,078)	187,742	796,820
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,164,389	1,164,389	1,056,969	(107,420)
Transfers out	<u>264,313</u>	<u>(264,313)</u>	<u>(239,758)</u>	<u>(24,555)</u>
Total other financing sources	<u>1,428,702</u>	<u>900,076</u>	<u>817,211</u>	<u>(82,865)</u>
<b>Net Change in Fund Balance</b>	793,379	290,998	1,004,953	713,955
<b>Fund Balance (Deficit) - Beginning of year</b>	<u>(1,476,451)</u>	<u>(1,476,451)</u>	<u>(1,476,451)</u>	<u>-</u>
<b>Fund Balance (Deficit) - End of year</b>	<u>\$ (683,072)</u>	<u>\$ (1,185,453)</u>	<u>\$ (471,498)</u>	<u>\$ 713,955</u>

# School District of the City of Garden City

## Required Supplementary Information Budgetary Comparison Schedule Special Education Special Revenue Fund Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>Revenue</b>				
Local sources	\$ 12,424	\$ 12,424	\$ 25,841	\$ 13,417
State sources	4,937,246	4,937,246	4,774,216	(163,030)
Interdistrict sources	12,127,026	12,127,026	12,099,593	(27,433)
Total revenue	17,076,696	17,076,696	16,899,650	(177,046)
<b>Expenditures - Current</b>				
Instruction	12,571,294	12,571,294	12,471,826	(99,468)
Support services	3,412,177	3,412,177	3,370,855	(41,322)
Total expenditures	15,983,471	15,983,471	15,842,681	(140,790)
<b>Transfers Out</b>	(1,093,225)	(1,093,225)	(1,056,969)	(36,256)
<b>Fund Balance - Beginning of year</b>	-	-	-	-
<b>Fund Balance - End of year</b>	\$ -	\$ -	\$ -	\$ -

## **Other Supplementary Information**

---

# School District of the City of Garden City

	Special Revenue Funds		Debt Service Funds			
	Food Service	School Services	2006 Refunding Bond	2005 Refunding Bond	2004 Refunding Bond	2001 Refunding Bond
<b>Assets</b>						
Cash and cash equivalents	\$ 134,053	\$ -	\$ 87	\$ 28,571	\$ 92,683	\$ 177,154
Receivables	104,035	-	57,628	24,946	78,596	50,705
Due from other funds	-	4,193	99,925	739	78,525	3,003
Inventory	22,752	-	-	-	-	-
Restricted assets	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 260,840</b>	<b>\$ 4,193</b>	<b>\$ 157,640</b>	<b>\$ 54,256</b>	<b>\$ 249,804</b>	<b>\$ 230,862</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 97,156	\$ 1,376	\$ -	\$ -	\$ -	\$ -
Due to other funds	163,684	-	-	18,651	-	156,000
Deferred revenue	-	2,817	9,757	-	-	-
<b>Total liabilities</b>	<b>260,840</b>	<b>4,193</b>	<b>9,757</b>	<b>18,651</b>	<b>-</b>	<b>156,000</b>
<b>Fund Balances - Reserved</b>						
Encumbrances	-	-	-	-	-	-
Capital projects (bonded)	-	-	-	-	-	-
Debt service	-	-	147,883	35,605	249,804	74,862
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>147,883</b>	<b>35,605</b>	<b>249,804</b>	<b>74,862</b>
<b>Total liabilities and fund balances</b>	<b>\$ 260,840</b>	<b>\$ 4,193</b>	<b>\$ 157,640</b>	<b>\$ 54,256</b>	<b>\$ 249,804</b>	<b>\$ 230,862</b>

**Other Supplementary Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2009**

Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 432,548
-	315,910
-	186,385
-	22,752
<u>269,226</u>	<u>269,226</u>
<b><u>\$ 269,226</u></b>	<b><u>\$ 1,226,821</u></b>

\$ -	\$ 98,532
8,578	346,913
-	12,574
<u>8,578</u>	<u>458,019</u>
250,447	250,447
10,201	10,201
-	508,154
<u>260,648</u>	<u>768,802</u>
<b><u>\$ 269,226</u></b>	<b><u>\$ 1,226,821</u></b>

# School District of the City of Garden City

	Special Revenue Funds		Debt Service Funds				Durant
	Food Service	School Services	2006 Refunding Bond	2005 Refunding Bond	2004 Refunding Bond	2001 Refunding Bond	
<b>Revenue</b>							
Local sources	\$ 613,575	\$ 403,777	\$ 962,368	\$ 389,194	\$ 1,231,616	\$ 788,117	\$ -
State sources	84,346	-	-	-	-	-	205,025
Federal sources	681,054	-	-	-	-	-	-
<b>Total revenue</b>	<b>1,378,975</b>	<b>403,777</b>	<b>962,368</b>	<b>389,194</b>	<b>1,231,616</b>	<b>788,117</b>	<b>205,025</b>
<b>Expenditures</b>							
Current:							
Instruction:							
Support services - Pupil transportation services	-	24,155	-	-	-	-	-
Athletics	-	336,746	-	-	-	-	-
Food services	1,392,341	-	-	-	-	-	-
Community services	-	264,351	-	-	-	-	-
Debt service:							
Principal	-	-	25,000	15,000	1,005,000	625,000	162,482
Interest	-	-	1,112,003	391,254	102,637	78,325	42,543
Other	-	-	390	512	1,912	1,183	-
Capital outlay	4,917	-	-	-	-	-	-
<b>Total expenditures</b>	<b>1,397,258</b>	<b>625,252</b>	<b>1,137,393</b>	<b>406,766</b>	<b>1,109,549</b>	<b>704,508</b>	<b>205,025</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>(18,283)</b>	<b>(221,475)</b>	<b>(175,025)</b>	<b>(17,572)</b>	<b>122,067</b>	<b>83,609</b>	<b>-</b>
<b>Other Financing Sources - Transfers in</b>	<b>18,283</b>	<b>221,475</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>(175,025)</b>	<b>(17,572)</b>	<b>122,067</b>	<b>83,609</b>	<b>-</b>
<b>Fund Balances (Deficit) - Beginning of year</b>	<b>-</b>	<b>-</b>	<b>322,908</b>	<b>53,177</b>	<b>127,737</b>	<b>(8,747)</b>	<b>-</b>
<b>Fund Balances - End of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 147,883</b>	<b>\$ 35,605</b>	<b>\$ 249,804</b>	<b>\$ 74,862</b>	<b>\$ -</b>

**Other Supplementary Information  
Combining Statement of Revenue, Expenditures, and  
Changes in Fund Balances (Deficit)  
Nonmajor Governmental Funds  
Year Ended June 30, 2009**

Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 4,561	\$ 4,393,208
-	289,371
-	681,054
<u>4,561</u>	<u>5,363,633</u>
-	24,155
-	336,746
-	1,392,341
-	264,351
-	1,832,482
-	1,726,762
-	3,997
10,704	15,621
<u>10,704</u>	<u>5,596,455</u>
(6,143)	(232,822)
-	239,758
(6,143)	6,936
<u>266,791</u>	<u>761,866</u>
<u><b>\$ 260,648</b></u>	<u><b>\$ 768,802</b></u>

# School District of the City of Garden City

## Other Supplemental Information Schedule of Bonded Indebtedness Year Ended June 30, 2009

June 30	2001 Debt Principal	Durant Principal	2004 Debt Principal	2005 Debt Principal	2006 Debt Principal
2010	\$ 620,000	\$ 170,211	\$ 1,065,000	\$ 15,000	\$ 25,000
2011	620,000	178,318	1,120,000	15,000	25,000
2012	-	186,797	-	15,000	1,130,000
2013	-	1,026,075	-	1,165,000	25,000
2014	-	-	-	1,210,000	25,000
2015	-	-	-	1,250,000	30,000
2016	-	-	-	1,320,000	25,000
2017	-	-	-	1,390,000	25,000
2018	-	-	-	1,455,000	30,000
2019	-	-	-	-	1,555,000
2020	-	-	-	-	1,605,000
2021	-	-	-	-	1,660,000
2022	-	-	-	-	1,710,000
2023	-	-	-	-	1,760,000
2024	-	-	-	-	1,785,000
2025	-	-	-	-	1,775,000
2026	-	-	-	-	1,770,000
2027	-	-	-	-	1,785,000
2028	-	-	-	-	1,775,000
2029	-	-	-	-	1,765,000
2030	-	-	-	-	1,750,000
2031	-	-	-	-	1,740,000
Total principal	<u>\$ 1,240,000</u>	<u>\$ 1,561,401</u>	<u>\$ 2,185,000</u>	<u>\$ 7,835,000</u>	<u>\$ 23,775,000</u>