
City of Southgate, Michigan

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

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Southgate, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

To the Honorable Mayor and
Members of the City Council
City of Southgate, Michigan

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; retirement system schedules of investment returns, changes in the net pension liability and related ratios, and employer contributions; retiree healthcare system schedules of investment returns, changes in the net OPEB liability and related ratios, and employer contributions; and the budgetary comparison schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Southgate, Michigan's basic financial statements. The other supplemental 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 supplemental information 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 supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.



October 24, 2019

Our discussion and analysis of the City of Southgate, Michigan's 2019 annual report is presented in conformity with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34. This annual report includes a discussion and analysis of the City of Southgate, Michigan's (the "City") financial performance. This discussion and analysis provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the City's financial statements:

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2019:

- Property taxes are the City's single largest source of revenue. The City's taxable value for fiscal year 2019 was \$682,436,462, which represents an increase of \$12,583,102, or 1.8 percent.
- The City closely monitors discretionary spending by performing periodic budget adjustments. As a result, fund balance in the General Fund decreased by \$107,820.
- The City continues to eliminate its outstanding debt in the governmental activities. The City has reduced its outstanding debt since 2009 by 62.6 percent. As a result, the outstanding debt for fiscal year 2019 is \$5,259,664.

Using This Annual Report

This annual report consists of a series of financial statements. The statements of net position and activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

City of Southgate, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

The following tables show, in a condensed format, the net position as of June 30, 2019 compared to the prior year:

The City's Net Position

	Governmental Activities			
	2018	2019	Change	Percent Change
Assets				
Current and other assets	\$ 20,849,157	\$ 24,294,304	\$ 3,445,147	16.5
Capital assets	62,289,457	62,573,623	284,166	0.5
Total assets	83,138,614	86,867,927	3,729,313	4.5
Deferred Outflows of Resources	4,460,441	11,305,724	6,845,283	153.5
Liabilities				
Current liabilities	1,877,112	2,976,900	1,099,788	58.6
Long-term liabilities	117,595,249	127,510,837	9,915,588	8.4
Total liabilities	119,472,361	130,487,737	11,015,376	9.2
Deferred Inflows of Resources	9,488,700	6,436,734	(3,051,966)	(32.2)
Net Position				
Net investment in capital assets	56,372,359	57,554,092	1,181,733	2.1
Restricted	13,985,585	16,573,790	2,588,205	18.5
Unrestricted	(111,719,950)	(112,878,702)	(1,158,752)	1.0
Total net position	\$ (41,362,006)	\$ (38,750,820)	\$ 2,611,186	(6.3)
Business-type Activities				
	2018	2019	Change	Percent Change
Assets				
Current and other assets	\$ 8,314,753	\$ 6,342,708	\$ (1,972,045)	(23.7)
Capital assets	37,961,330	42,774,976	4,813,646	12.7
Total assets	46,276,083	49,117,684	2,841,601	6.1
Deferred Outflows of Resources	100,071	655,656	555,585	555.2
Liabilities	17,801,457	22,500,945	4,699,488	26.4
Deferred Inflows of Resources	709,907	329,258	(380,649)	(53.6)
Net Position				
Net investment in capital assets	27,470,159	28,500,597	1,030,438	3.8
Restricted	3,001,336	1,392,291	(1,609,045)	(53.6)
Unrestricted	(2,606,705)	(2,949,751)	(343,046)	13.2
Total net position	\$ 27,864,790	\$ 26,943,137	\$ (921,653)	(3.3)

The City's combined net position increased from a deficit of approximately \$13.5 million to a deficit of approximately \$11.8 million, an increase of approximately 13 percent from a year ago. As we look at governmental activities separately from the business-type activities, we can see that net position increased by approximately \$2,611,000 in governmental activities. Last fiscal year, the net position of the governmental activities increased by approximately \$3,121,000. The year-over-year change is primarily the result of an increase in public works and public safety program expenses.

Business-type activities net position decreased by approximately \$922,000. Business-type activities comprise approximately \$26.9 million of the total net position. The year-over-year change is primarily due to various increases in expenses.

Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, decreased by approximately \$1.2 million for governmental activities and decreased by \$0.3 million for business-type activities. The current level of unrestricted net position stands at a deficit of \$112.9 million for governmental activities and a deficit of \$2.9 million for business-type activities. Restricted net position for business-type activities totaled \$1.4 million at June 30, 2019 and decreased by 53.6 percent from the prior year. Restricted net position reported in governmental activities has limits on its use that are externally imposed by restrictions such as enabling legislation. These resources can only be used for the specific purpose for which they were intended, such as expenditures for the Southgate/Wyandotte drain operation and maintenance, street expenses, library services, debt service, and narcotics enforcement.

The City's Changes in Net Position

	Governmental Activities			
	2018	2019	Change	Percent Change
Revenue				
Program revenue:				
Charges for services	\$ 4,774,571	\$ 5,243,482	\$ 468,911	9.8
Operating grants	3,832,836	4,146,412	313,576	8.2
Capital grants	72,056	514,574	442,518	614.1
General revenue:				
Taxes - Property taxes	17,464,419	18,147,883	683,464	3.9
State-shared revenue	3,524,982	3,352,768	(172,214)	(4.9)
Investment earnings	220,042	464,687	244,645	111.2
Other revenue	30,108	1,425	(28,683)	(95.3)
Total revenue	29,919,014	31,871,231	1,952,217	6.5
Expenses				
General government	5,184,661	3,860,765	(1,323,896)	(25.5)
28th District Court	1,208,620	1,410,386	201,766	16.7
Public safety	12,242,827	13,247,609	1,004,782	8.2
Public works	6,247,430	8,769,930	2,522,500	40.4
Recreation and culture	1,697,819	1,603,581	(94,238)	(5.6)
Interest on long-term debt	216,550	192,774	(23,776)	(11.0)
Total expenses	26,797,907	29,085,045	2,287,138	8.5
Transfers	-	(175,000)	(175,000)	(100.0)
Change in Net Position	3,121,107	2,611,186	(509,921)	(16.3)
Net Position - Beginning of year	(44,483,113)	(41,362,006)	3,121,107	(7.0)
Net Position - End of year	\$ (41,362,006)	\$ (38,750,820)	\$ 2,611,186	(6.3)

Management's Discussion and Analysis (Continued)

	Business-type Activities			
	2018	2019	Change	Percent Change
Revenue				
Operating revenue	\$ 7,618,845	\$ 7,586,136	\$ (32,709)	(0.4)
Nonoperating revenue:				
Property taxes	893,406	426,527	(466,879)	(52.3)
Investment earnings	26,228	33,315	7,087	27.0
Income from joint venture	1,620,651	-	(1,620,651)	(100.0)
Total revenue	10,159,130	8,045,978	(2,113,152)	(20.8)
Expenses				
Water and Sewer	6,166,307	7,363,281	1,196,974	19.4
Golf Course	320,592	324,071	3,479	1.1
Total expenses	6,486,899	7,687,352	1,200,453	18.5
Transfers	-	175,000	175,000	100.0
Special Item	-	(1,455,279)	(1,455,279)	(100.0)
Change in Net Position	3,672,231	(921,653)	(4,593,884)	(125.1)
Net Position - Beginning of year	24,192,559	27,864,790	3,672,231	15.2
Net Position - End of year	<u>\$ 27,864,790</u>	<u>\$ 26,943,137</u>	<u>\$ (921,653)</u>	(3.3)

The City's business-type activities consist of the Water and Sewer Fund and the Golf Course Fund. We provide water to residents from the Great Lakes Water Authority. We also provide sewage treatment through the Downriver Utility Wastewater Authority. In the Golf Course Fund, the two biggest factors affecting business are weather and the economy. Since January 2012, the club house has been under new management, and the City continues to focus on improving the operating results of the golf course. In the current year, the Water and Sewer Fund has an operating income of \$328,053, while the Golf Course Fund has an operating loss of \$50,528. Excluding depreciation, the Water and Sewer Fund had an operating income of \$1,595,085, while the Golf Course Fund had an operating loss of \$24,484.

The City's Funds

The analysis of the City's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages. The City's major governmental funds for 2019 include the General Fund, the Major Street Fund, the Local Street Fund, the Community Development Block Grant Fund, and the Southgate-Wyandotte Operation and Maintenance Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of \$12,941,657 in the current year. The budget in the General Fund is basically a "maintenance" budget, which means it increases modestly from year to year. The fund balance of the City's General Fund represents 18 percent, or \$3,684,421, of total governmental fund balances. The General Fund's fund balance, which includes the Severance Reserve Fund, decreased by \$107,820 from the prior year.

Fund balance of the Major Street Fund increased by \$1,092,017 from the prior year.

Fund balance of the Local Street Fund increased by \$670,260 from the prior year.

Fund balance of the Community Development Block Grant Fund increased by \$1,515 from the prior year.

Fund balance of the Southgate-Wyandotte Operation and Maintenance Fund increased by \$495,465 from the prior year. The increase in fund balance is due to a decrease in construction work performed in fiscal year 2019.

General Fund Budgetary Highlights

During the current year, actual revenue exceeded actual expenditures by \$10,264. The City's departments overall were over budget by \$820,694, but revenue exceeded budget by \$468,511. The primary expenditure variance of \$516,109 in fire was related to the purchase of a fire pumper. Overall, the General Fund's unassigned fund balance decreased by \$180,052 in the current year, from \$983,071 a year ago to \$803,019 at June 30, 2019.

Capital Assets and Debt Administration

The City continues to collect a dedicated millage approved by the voters in November 2001 for improvements to streets in conjunction with a five-year improvement plan.

At the end of 2019, the City had approximately \$105.3 million (net of depreciation) invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines, as well as roads within the City. Additional information on the City's capital assets can be found in Note 5 to the financial statements.

The City's total indebtedness as of June 30, 2019 was \$19.5 million. Of this amount, \$10.8 million represents the City's portion of bonds related to the Downriver Utility Wastewater System and Wayne County Downriver Sewage Disposal System's judgment bonds. Additional information on the City's long-term debt can be found in Note 7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Because of the impact of Proposal A, the City needs to continue to watch its budget very closely. The statewide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City will grow by less than inflation, before considering new property additions.

We anticipate that the water and sewer rates will have to increase somewhat in 2020. We are in the process of evaluating the amount of increase that will be needed and will likely have a public hearing in 2020 to discuss the need for such an increase.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the administration offices at city hall.

June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 21,229,243	\$ 1,853,532	\$ 23,082,775	\$ 1,438,057
Receivables - Net:				
Property taxes receivable	735	-	735	-
Special assessments receivable	1,219,215	-	1,219,215	-
Customer receivables	-	2,161,976	2,161,976	-
Other receivables	333,814	-	333,814	13,651
Due from other governments	1,190,203	-	1,190,203	141,426
Due from component units (Note 6)	45,056	-	45,056	-
Due from primary government (Note 6)	-	-	-	3,720
Internal balances	94,089	(94,089)	-	-
Inventory	-	32,974	32,974	-
Prepays expenses	181,949	21,548	203,497	496
Restricted assets (Note 8)	-	2,366,767	2,366,767	-
Capital assets: (Note 5)				
Assets not subject to depreciation	3,386,602	4,391,088	7,777,690	-
Assets subject to depreciation - Net	59,187,021	38,383,888	97,570,909	555,321
Total assets	86,867,927	49,117,684	135,985,611	2,152,671
Deferred Outflows of Resources				
Deferred charges on bond refunding	240,133	-	240,133	-
Deferred pension costs (Note 11)	5,571,865	381,248	5,953,113	-
Deferred OPEB costs (Note 12)	5,493,726	274,408	5,768,134	-
Total deferred outflows of resources	11,305,724	655,656	11,961,380	-
Liabilities				
Accounts payable	1,638,558	888,099	2,526,657	7,924
Due to component units (Note 6)	3,720	-	3,720	-
Due to primary government (Note 6)	-	-	-	45,056
Cash bonds and deposits	215,075	-	215,075	-
Accrued liabilities and other	877,441	49,612	927,053	15,441
Unearned revenue	242,106	-	242,106	-
Noncurrent liabilities:				
Due within one year:				
Current portion of compensated absences (Note 7)	736,449	60,982	797,431	-
Provision for claims (Note 7)	21,000	-	21,000	-
Current portion of long-term debt (Note 7)	955,496	770,350	1,725,846	-
Due in more than one year:				
Compensated absences - Net of current portion (Note 7)	1,367,690	49,894	1,417,584	-
Provision for claims (Note 7)	49,000	-	49,000	-
Net pension liability (Note 11)	37,104,668	2,235,392	39,340,060	-
Net OPEB liability (Note 12)	82,972,366	4,942,587	87,914,953	-
Long-term debt - Net of current portion (Note 7)	4,304,168	13,504,029	17,808,197	-
Total liabilities	130,487,737	22,500,945	152,988,682	68,421
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 11)	463,908	32,021	495,929	-
Deferred OPEB cost reductions (Note 12)	5,972,826	297,237	6,270,063	-
Total deferred inflows of resources	6,436,734	329,258	6,765,992	-

Statement of Net Position (Continued)

June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net investment in capital assets	\$ 57,554,092	\$ 28,500,597	\$ 86,054,689	\$ 555,321
Restricted:				
Street expenses	7,869,226	-	7,869,226	-
Building department	47,764	-	47,764	-
Debt service	258,943	-	258,943	-
Capital improvement	67,317	1,392,291	1,459,608	-
Police and fire retirement	500,437	-	500,437	-
Southgate-Wyandotte drain operation and maintenance	6,470,252	-	6,470,252	-
Library	603,906	-	603,906	-
Narcotics enforcement	592,951	-	592,951	-
Low-income housing	9,163	-	9,163	-
Restricted donation	153,831	-	153,831	-
Unrestricted	(112,878,702)	(2,949,751)	(115,828,453)	1,528,929
Total net position	\$ (38,750,820)	\$ 26,943,137	\$ (11,807,683)	\$ 2,084,250

City of Southgate, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,860,765	\$ 920,009	\$ 172,485	\$ -
District court	1,410,386	1,675,924	121,671	-
Public safety	13,247,609	66,743	419,728	45,865
Public works	8,769,930	2,037,992	2,680,667	314,878
Recreation and culture	1,603,581	542,814	751,861	153,831
Interest on long-term debt	192,774	-	-	-
Total governmental activities	<u>29,085,045</u>	<u>5,243,482</u>	<u>4,146,412</u>	<u>514,574</u>
Business-type activities:				
Water and Sewer	7,363,281	7,312,593	-	-
Golf Course	324,071	273,543	-	-
Total business-type activities	<u>7,687,352</u>	<u>7,586,136</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 36,772,397</u>	<u>\$ 12,829,618</u>	<u>\$ 4,146,412</u>	<u>\$ 514,574</u>
Component units:				
Tax Increment Financing Authority	\$ 705,085	\$ -	\$ -	\$ -
Downtown Development Authority	213,427	-	-	-
Southern Michigan Information Alliance	464,305	451,083	-	50,000
Total component units	<u>\$ 1,382,817</u>	<u>\$ 451,083</u>	<u>\$ -</u>	<u>\$ 50,000</u>
General revenue:				
Property taxes				
Unrestricted state-shared revenue				
Unrestricted investment income				
Other miscellaneous income				
Total general revenue				
Transfers				
Special items - Loss on transfer of asset (Note 13)				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (2,768,271)	\$ -	\$ (2,768,271)	\$ -
387,209	-	387,209	-
(12,715,273)	-	(12,715,273)	-
(3,736,393)	-	(3,736,393)	-
(155,075)	-	(155,075)	-
(192,774)	-	(192,774)	-
(19,180,577)	-	(19,180,577)	-
-	(50,688)	(50,688)	-
-	(50,528)	(50,528)	-
-	(101,216)	(101,216)	-
(19,180,577)	(101,216)	(19,281,793)	-
-	-	-	(705,085)
-	-	-	(213,427)
-	-	-	36,778
-	-	-	(881,734)
18,147,883	426,527	18,574,410	840,882
3,352,768	-	3,352,768	-
464,687	33,315	498,002	72,695
1,425	-	1,425	40,890
21,966,763	459,842	22,426,605	954,467
(175,000)	175,000	-	-
-	(1,455,279)	(1,455,279)	-
2,611,186	(921,653)	1,689,533	72,733
(41,362,006)	27,864,790	(13,497,216)	2,011,517
\$ (38,750,820)	\$ 26,943,137	\$ (11,807,683)	\$ 2,084,250

City of Southgate, Michigan

	General Fund	Major Street Fund	Local Street Fund
Assets			
Cash and investments	\$ 5,279,578	\$ 3,750,754	\$ 3,479,831
Receivables - Net:			
Property taxes receivable	735	-	-
Special assessments receivable	-	-	-
Other receivables	179,983	-	-
Due from other governments	707,169	336,896	129,592
Due from component units (Note 6)	-	-	-
Due from other funds (Note 6)	217,166	-	84,224
Advances to other funds (Note 6)	-	-	-
Prepaid expenses	179,403	-	-
	<u>\$ 6,564,034</u>	<u>\$ 4,087,650</u>	<u>\$ 3,693,647</u>
Total assets			
Liabilities			
Accounts payable	\$ 1,149,959	\$ 15,666	\$ 18,700
Due to component units (Note 6)	3,720	-	-
Due to other funds (Note 6)	366,035	84,224	-
Cash bonds and deposits	215,075	-	-
Accrued liabilities and other	584,078	-	-
Unearned revenue	-	-	-
	<u>2,318,867</u>	<u>99,890</u>	<u>18,700</u>
Total liabilities			
Deferred Inflows of Resources			
Unavailable revenue - State sources	552,775	-	-
Unavailable revenue - Special assessments	7,971	-	-
	<u>560,746</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources			
Total liabilities and deferred inflows of resources	2,879,613	99,890	18,700
Fund Balances			
Nonspendable:			
Prepays	179,403	-	-
Advance to other funds	-	-	-
Restricted:			
Roads	-	3,987,760	3,674,947
Narcotics enforcement	-	-	-
Debt service	-	-	-
Restricted donation	-	-	-
Unspent property tax proceeds - Police and fire pension	500,437	-	-
Low-income housing	9,163	-	-
Southgate-Wyandotte O&M	-	-	-
Library	-	-	-
District Court Capital Improvement	-	-	-
Building department	47,764	-	-
Committed (Note 9)	427,635	-	-
Assigned (Note 9)	1,717,000	-	-
Unassigned	803,019	-	-
	<u>3,684,421</u>	<u>3,987,760</u>	<u>3,674,947</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,564,034</u>	<u>\$ 4,087,650</u>	<u>\$ 3,693,647</u>

Governmental Funds Balance Sheet

June 30, 2019

Community Development Block Grant Fund	Southgate- Wyandotte Operation and Maintenance Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 368,521	\$ 5,454,912	\$ 2,884,550	\$ 21,218,146
-	-	-	735
-	1,219,215	-	1,219,215
-	-	153,831	333,814
-	-	16,546	1,190,203
-	-	45,056	45,056
4,000	-	-	305,390
-	-	94,089	94,089
-	-	2,546	181,949
\$ 372,521	\$ 6,674,127	\$ 3,196,618	\$ 24,588,597
\$ 9,000	\$ 178,124	\$ 267,109	\$ 1,638,558
-	-	-	3,720
195,415	25,751	-	671,425
-	-	-	215,075
-	-	32,287	616,365
168,106	-	74,000	242,106
372,521	203,875	373,396	3,387,249
-	-	-	552,775
-	127,337	-	135,308
-	127,337	-	688,083
372,521	331,212	373,396	4,075,332
-	-	2,546	181,949
-	-	94,089	94,089
-	-	112,430	7,775,137
-	-	592,951	592,951
-	-	258,943	258,943
-	-	153,831	153,831
-	-	-	500,437
-	-	-	9,163
-	6,342,915	-	6,342,915
-	-	601,360	601,360
-	-	67,317	67,317
-	-	-	47,764
-	-	713,683	1,141,318
-	-	226,072	1,943,072
-	-	-	803,019
-	6,342,915	2,823,222	20,513,265
\$ 372,521	\$ 6,674,127	\$ 3,196,618	\$ 24,588,597

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2019

Fund Balances Reported in Governmental Funds	\$ 20,513,265
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	62,573,623
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	688,083
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(5,259,664)
Deferred charges on bond refundings are not amortized over the related bond terms and are not reported in the funds	240,133
Accrued interest is not due and payable in the current period and is not reported in the funds	(33,076)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(2,104,139)
Pension benefits	(37,104,668)
Retiree healthcare benefits	(82,972,366)
Deferred inflows of resources related to pension are not reported in the funds	(463,908)
Deferred outflows of resources related to pension are not reported in the funds	5,571,865
Deferred inflows of resources related to OPEB are not reported in the funds	(5,972,826)
Deferred outflows of resources related to OPEB are not reported in the funds	5,493,726
Other long-term liabilities, such as claims and judgments, landfill closure and postclosure costs, and net pension obligations, do not present a claim on current financial resources and are not reported as fund liabilities	(70,000)
Internal service funds are included as part of governmental activities	149,132
Net Position of Governmental Activities	<u><u>\$ (38,750,820)</u></u>

City of Southgate, Michigan

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>
Revenue			
Property taxes	\$ 16,320,227	\$ -	\$ -
Special assessments	-	-	-
Intergovernmental:			
Federal grants	16,405	-	-
State sources	3,567,884	1,935,857	1,059,688
Charges for services	646,361	-	-
Fines and forfeitures	1,531,522	-	-
Licenses and permits	771,562	-	-
Rental and interest income	866,311	45,757	22,402
Other revenue	197,853	-	-
	<u>23,918,125</u>	<u>1,981,614</u>	<u>1,082,090</u>
Total revenue			
Expenditures			
Current services:			
General government	4,924,619	-	-
28th District Court	1,075,672	-	-
Public safety	12,941,657	-	-
Public works	3,484,504	405,633	895,794
Recreation and culture	1,119,518	-	-
Capital outlay	-	-	-
Debt service	-	-	-
	<u>23,545,970</u>	<u>405,633</u>	<u>895,794</u>
Total expenditures			
Excess of Revenue Over (Under) Expenditures	372,155	1,575,981	186,296
Other Financing Sources (Uses)			
Transfers in	-	-	483,964
Transfers out	(479,975)	(483,964)	-
	<u>(479,975)</u>	<u>(483,964)</u>	<u>483,964</u>
Total other financing (uses) sources			
Net Change in Fund Balances	(107,820)	1,092,017	670,260
Fund Balances - Beginning of year	<u>3,792,241</u>	<u>2,895,743</u>	<u>3,004,687</u>
Fund Balances - End of year	<u><u>\$ 3,684,421</u></u>	<u><u>\$ 3,987,760</u></u>	<u><u>\$ 3,674,947</u></u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2019

Community Development Block Grant Fund	Southgate- Wyandotte Operation and Maintenance Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,827,656	\$ 18,147,883
-	1,250,620	-	1,250,620
137,500	-	343,539	497,444
-	-	155,746	6,719,175
-	-	140,372	786,733
-	-	2,888	1,534,410
-	-	-	771,562
-	88,177	152,046	1,174,693
-	-	835,745	1,033,598
<u>137,500</u>	<u>1,338,797</u>	<u>3,457,992</u>	<u>31,916,118</u>
-	-	500	4,925,119
-	-	79,285	1,154,957
-	-	117,835	13,059,492
135,985	843,332	1,575,921	7,341,169
-	-	505,277	1,624,795
-	-	220,874	220,874
-	-	1,065,950	1,065,950
<u>135,985</u>	<u>843,332</u>	<u>3,565,642</u>	<u>29,392,356</u>
1,515	495,465	(107,650)	2,523,762
-	-	402,250	886,214
-	-	(97,275)	(1,061,214)
-	-	304,975	(175,000)
1,515	495,465	197,325	2,348,762
<u>(1,515)</u>	<u>5,847,450</u>	<u>2,625,897</u>	<u>18,164,503</u>
<u>\$ -</u>	<u>\$ 6,342,915</u>	<u>\$ 2,823,222</u>	<u>\$ 20,513,265</u>

Governmental Funds

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

Year Ended June 30, 2019

Net Change in Fund Balances Reported in Governmental Funds	\$ 2,348,762
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	(3,127,342)
Net book value of assets disposed of	3,411,508
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(25,987)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	944,175
The change in deferred charges on bond refunding balance is recorded in the statement of activities	(46,608)
Interest expense is recognized in the government-wide statements as it accrues	5,272
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(915,906)
Internal service funds are included as part of governmental activities	17,312
Change in Net Position of Governmental Activities	<u><u>\$ 2,611,186</u></u>

Proprietary Funds
Statement of Net Position

June 30, 2019

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise - Golf Course	Total	Internal Service Fund - Workers' Compensation
Assets				
Current assets:				
Cash and investments	\$ 1,804,049	\$ 49,483	\$ 1,853,532	\$ 11,097
Customer receivables	2,157,498	4,478	2,161,976	-
Due from other funds (Note 6)	-	-	-	366,035
Inventory	32,974	-	32,974	-
Prepays expenses	20,707	841	21,548	-
Total current assets	4,015,228	54,802	4,070,030	377,132
Noncurrent assets:				
Restricted assets (Note 8)	2,366,767	-	2,366,767	-
Capital assets: (Note 5)				
Assets not subject to depreciation	4,236,643	154,445	4,391,088	-
Assets subject to depreciation - Net	38,088,709	295,179	38,383,888	-
Total noncurrent assets	44,692,119	449,624	45,141,743	-
Total assets	48,707,347	504,426	49,211,773	377,132
Deferred Outflows of Resources				
Deferred pension costs (Note 11)	381,248	-	381,248	-
Deferred OPEB costs (Note 12)	274,408	-	274,408	-
Total deferred outflows of resources	655,656	-	655,656	-
Liabilities				
Current liabilities:				
Accounts payable	887,027	1,072	888,099	-
Accrued liabilities and other	47,756	1,856	49,612	228,000
Current portion of compensated absences (Note 7)	60,982	-	60,982	-
Current portion of long-term debt (Note 7)	770,350	-	770,350	-
Total current liabilities	1,766,115	2,928	1,769,043	228,000
Noncurrent liabilities:				
Advances from other funds (Note 6)	-	94,089	94,089	-
Compensated absences - Net of current portion (Note 7)	49,894	-	49,894	-
Net pension liability (Note 11)	2,235,392	-	2,235,392	-
Net OPEB liability (Note 12)	4,942,587	-	4,942,587	-
Long-term debt - Net of current portion (Note 7)	13,504,029	-	13,504,029	-
Total noncurrent liabilities	20,731,902	94,089	20,825,991	-
Total liabilities	22,498,017	97,017	22,595,034	228,000
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 11)	32,021	-	32,021	-
Deferred OPEB cost reductions (Note 12)	297,237	-	297,237	-
Total deferred inflows of resources	329,258	-	329,258	-
Net Position				
Net investment in capital assets	28,050,973	449,624	28,500,597	-
Restricted (Note 8)	1,392,291	-	1,392,291	-
Unrestricted	(2,907,536)	(42,215)	(2,949,751)	149,132
Total net position	\$ 26,535,728	\$ 407,409	\$ 26,943,137	\$ 149,132

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

Year Ended June 30, 2019

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise - Golf Course	Total	Internal Service Fund - Workers' Compensation
Operating Revenue				
Sale of water	\$ 2,878,890	\$ -	\$ 2,878,890	\$ -
Sewage disposal charges	3,269,428	-	3,269,428	-
Assessments	874,220	-	874,220	-
Other	290,055	-	290,055	-
Green fees and miscellaneous	-	273,543	273,543	-
Charges to other funds	-	-	-	180,000
Total operating revenue	7,312,593	273,543	7,586,136	180,000
Operating Expenses				
Cost of water	2,204,102	-	2,204,102	-
Cost of sewage treatment	1,418,967	-	1,418,967	-
Other operating and maintenance costs	1,376,800	280,564	1,657,364	-
Overhead and other	717,639	17,463	735,102	-
Contractual services	-	-	-	162,688
Depreciation	1,267,032	26,044	1,293,076	-
Total operating expenses	6,984,540	324,071	7,308,611	162,688
Operating Income (Loss)	328,053	(50,528)	277,525	17,312
Nonoperating Revenue (Expense)				
Property tax collections - EPA levy	426,527	-	426,527	-
Investment income	32,362	953	33,315	-
Interest expense	(378,741)	-	(378,741)	-
Total nonoperating revenue	80,148	953	81,101	-
Transfers In	-	175,000	175,000	-
Special Items - Loss on transfer of asset (Note 13)	(1,455,279)	-	(1,455,279)	-
Change in Net Position	(1,047,078)	125,425	(921,653)	17,312
Net Position - Beginning of year	27,582,806	281,984	27,864,790	131,820
Net Position - End of year	<u>\$ 26,535,728</u>	<u>\$ 407,409</u>	<u>\$ 26,943,137</u>	<u>\$ 149,132</u>

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2019

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise - Golf Course	Total	Internal Service Fund - Workers' Compensation
Cash Flows from Operating Activities				
Receipts from customers	\$ 7,479,382	\$ 273,407	\$ 7,752,789	\$ -
Receipts from interfund services and reimbursements	-	-	-	180,000
Payments to suppliers	(4,621,158)	(282,061)	(4,903,219)	-
Payments to employees and fringes	(1,019,253)	(20,586)	(1,039,839)	-
Internal activity - Payments to other funds	(115,000)	-	(115,000)	-
Claims paid	-	-	-	(168,903)
Net cash and cash equivalents provided by (used in) operating activities	1,723,971	(29,240)	1,694,731	11,097
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	-	175,000	175,000	-
Loans made to other funds	-	(100,000)	(100,000)	-
Net cash and cash equivalents provided by noncapital financing activities	-	75,000	75,000	-
Cash Flows from Capital and Related Financing Activities				
Issuance of bonds	614,099	-	614,099	-
Property taxes restricted for capital items	426,527	-	426,527	-
Purchase of capital assets	(1,885,079)	-	(1,885,079)	-
Principal and interest paid on capital debt	(1,431,275)	-	(1,431,275)	-
Special items - Cash received on transfer of asset	553,448	-	553,448	-
Net cash and cash equivalents used in capital and related financing activities	(1,722,280)	-	(1,722,280)	-
Cash Flows Provided by Investing Activities -				
Interest received on investments	32,362	953	33,315	-
Net Increase in Cash and Cash Equivalents	34,053	46,713	80,766	11,097
Cash and Cash Equivalents - Beginning of year	4,136,763	2,770	4,139,533	-
Cash and Cash Equivalents - End of year	\$ 4,170,816	\$ 49,483	\$ 4,220,299	\$ 11,097
Classification of Cash and Cash Equivalents				
Cash and investments	\$ 1,804,049	\$ 49,483	\$ 1,853,532	\$ 11,097
Restricted cash	2,366,767	-	2,366,767	-
Total cash and cash equivalents	\$ 4,170,816	\$ 49,483	\$ 4,220,299	\$ 11,097

Proprietary Funds
Statement of Cash Flows (Continued)

Year Ended June 30, 2019

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise - Golf Course	Total	Internal Service Fund - Workers' Compensation
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 328,053	\$ (50,528)	\$ 277,525	\$ 17,312
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	1,267,032	26,044	1,293,076	-
Changes in assets and liabilities:				
Receivables	166,789	(136)	166,653	-
Inventories	2,396	-	2,396	-
Prepaid and other assets	(786)	(2)	(788)	-
Accounts payable	286,600	(4,422)	282,178	-
Estimated claims liability	-	-	-	(6,215)
Net pension or OPEB liability	620,806	-	620,806	-
Deferrals related to pension or OPEB	(936,234)	-	(936,234)	-
Accrued and other liabilities	(10,685)	(196)	(10,881)	-
Total adjustments	1,395,918	21,288	1,417,206	(6,215)
Net cash and cash equivalents provided by (used in) operating activities	<u>\$ 1,723,971</u>	<u>\$ (29,240)</u>	<u>\$ 1,694,731</u>	<u>\$ 11,097</u>

Noncash Capital and Related Financing Activities - During the current year, debt was issued on behalf of the City in the amount \$4,221,643 for construction related to the Downriver Utility Wastewater System. There was also an increase in the City's debt of \$43,446 due to an increase in the City's allocation of the Downriver Utility Wastewater System debt due to an increase in the City's sewage flow compared to the total sewage flow of the system. The remaining investment in joint venture of \$1,431,102 for the Downriver Sewage Disposal System was written off to zero.

**Fiduciary Funds
Statement of Fiduciary Net Position**

June 30, 2019

	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets		
Cash and investments	\$ 6,638,272	\$ 1,375,225
Investments:		
Certificate of deposits	2,177,325	-
U.S. government securities	2,495	-
Stocks and mutual funds	34,982,495	-
Mortgage-backed securities	37,154	-
Alternative investments	8,067,430	-
Receivables - Net:		
Accrued interest receivable	41,890	-
Other receivables	491,250	320
Prepays expenses	122,803	-
Total assets	52,561,114	\$ 1,375,545
Liabilities		
Accounts payable	88,262	\$ -
Due to other governmental units	-	320,490
Cash bonds and deposits	-	1,055,055
Total liabilities	88,262	\$ 1,375,545
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 52,472,852	

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds

Year Ended June 30, 2019

Additions

Investment income:

Interest and dividends	\$ 1,201,032
Net increase in fair value of investments	249,571
Investment-related expenses	<u>(330,149)</u>

Net investment income 1,120,454

Contributions:

Employer contributions	7,374,388
Employee contributions	<u>369,558</u>

Total contributions 7,743,946

Total additions 8,864,400

Deductions - Benefit payments 8,202,912

Net Increase in Net Position Held in Trust 661,488

Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year 51,811,364

Net Position Held in Trust for Pension and Other Employee Benefits - End of year \$ 52,472,852

**Component Units
Statement of Net Position**

June 30, 2019

	Tax Increment Financing Authority	Downtown Development Authority	Southern Michigan Information Alliance	Total
Assets				
Cash and investments	\$ 1,366,119	\$ 53,051	\$ 18,887	\$ 1,438,057
Due from other governmental units	-	13,651	141,426	155,077
Due from primary government (Note 6)	-	-	3,720	3,720
Prepaid expenses	-	496	-	496
Capital assets - Net (Note 5)	-	555,321	-	555,321
Total assets	1,366,119	622,519	164,033	2,152,671
Liabilities				
Accounts payable	-	6,564	1,360	7,924
Due to primary government (Note 6)	-	-	45,056	45,056
Accrued liabilities and other	13,651	1,790	-	15,441
Total liabilities	13,651	8,354	46,416	68,421
Net Position				
Net investment in capital assets	-	555,321	-	555,321
Unrestricted	1,352,468	58,844	117,617	1,528,929
Total net position	\$ 1,352,468	\$ 614,165	\$ 117,617	\$ 2,084,250

City of Southgate, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Tax Increment Financing Authority	\$ 705,085	\$ -	\$ -	\$ -
Downtown Development Authority	213,427	-	-	-
Southern Michigan Information Alliance	464,305	451,083	-	50,000
Total	<u>\$ 1,382,817</u>	<u>\$ 451,083</u>	<u>\$ -</u>	<u>\$ 50,000</u>

General revenue:

- Property taxes
- Investment income
- Other miscellaneous income

Total general revenue

Transfers

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Component Units
Statement of Activities

Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position			
Tax Increment Financing Authority	Downtown Development Authority	Southern Michigan Information Alliance	Total
\$ (705,085)	\$ -	\$ -	\$ (705,085)
-	(213,427)	-	(213,427)
-	-	36,778	36,778
(705,085)	(213,427)	36,778	(881,734)
693,640	147,242	-	840,882
54,813	17,635	247	72,695
-	40,890	-	40,890
748,453	205,767	247	954,467
(5,000)	5,000	-	-
38,368	(2,660)	37,025	72,733
1,314,100	616,825	80,592	2,011,517
\$ 1,352,468	\$ 614,165	\$ 117,617	\$ 2,084,250

Note 1 - Significant Accounting Policies

Reporting Entity

The City of Southgate, Michigan (the "City") is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the City's operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City

Blended Component Units

The City of Southgate Building Authority (the "Building Authority") is governed by a board appointed by the mayor and approved by the City Council. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings. The City is involved in the purchase, by lease contract, of recreation facilities and related improvements and a library building addition from the Building Authority. Building authority operations consist of the issuance and repayment of debt and the construction of facilities. The financial statements of the Building Authority are consolidated with the financial statements of the City as follows:

- a. The assets of the Building Authority held for payment of outstanding bond issues are reported in the debt service funds.
- b. Fixed assets (completed construction projects) and remaining amounts due on bonds issued by the Building Authority are reported in the governmental activities statement of net position.

Discretely Presented Component Units

The following component units are presented discretely from the City:

Tax Increment Financing Authority

The Tax Increment Financing Authority's (the "Authority") governing body, which consists of 11 individuals, is appointed by the mayor and approved by the City Council. In addition, the Authority's budget is subject to approval by the City Council. The Authority was created in 1985, and the first year of tax increment revenue capture was 1986. The tax increment financing plan was amended in 2001 and is set to expire in fiscal year 2025. The assets of the Tax Increment Financing Authority district have been pledged for repayment of the Fun and Fitness Center debt. As of June 30, 2019, the Fun and Fitness Center future debt service is broken down into \$4,235,000 of principal payments and \$452,010 of interest payments.

Downtown Development Authority

The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The Authority's governing body, which consists of nine individuals, is selected by the City Council. In addition, the Authority's budget is subject to approval by the City Council. The Authority was created in 2002, and the first year of tax increment revenue capture was 2002. There is no scheduled expiration date of the DDA's plan.

Southeastern Michigan Information Alliance

The Southeastern Michigan Information Alliance (the "SMIA") was created to enhance public safety through the sharing of technology and information resources to support the public safety services of the member communities. The SMIA's governing body consists of one representative appointed by each governmental unit who is a member of SMIA. In addition, SMIA's budget is subject to approval by the City.

Note 1 - Significant Accounting Policies (Continued)

Jointly Governed Organizations

Jointly governed organizations are discussed in Note 13.

Accounting and Reporting Principles

The City follows accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB).

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule are charges between the City's component units' functions and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Note 1 - Significant Accounting Policies (Continued)

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, certain state-shared revenue, special assessments, and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow of resources.

Proprietary funds, fiduciary funds, and component units, as applicable, use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the City to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The City reports the following funds as "major" governmental funds:

- *General Fund* - The General Fund is the primary operating fund. It accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- *Community Development Block Grant Fund* - The Community Development Block Grant Fund accounts for community development grants and rehabilitation lien activity.
- *Southgate-Wyandotte Operation and Maintenance Fund* - The Southgate-Wyandotte Operation and Maintenance Fund accounts for the resources from special assessments that are restricted for the operation and maintenance of the Southgate-Wyandotte Drainage District.
- *Major Street Fund* - The Major Street Fund accounts for the resources of state gas and weight tax revenue that is restricted for use on major streets. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.
- *Local Street Fund* - The Local Street Fund accounts for the resources of state gas and weight tax revenue that is restricted for use on local streets. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City reports the following funds as "major" enterprise funds:

- *Water and Sewer Fund* - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Note 1 - Significant Accounting Policies (Continued)

- *Workers' Compensation Fund* - The Workers' Compensation Fund (an internal service fund) accounts for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, mainly on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the City's programs. Activities that are reported as fiduciary include the following:

- *Pension and Other Employee Benefit Trust Funds* - The pension and other employee benefit trust funds account for the activities of the Policemen and Firemen Retirement System, Municipal Employees' Retiree Health Care, and Act 345 Health Insurance, which accumulate resources for pension benefit payments and postemployment healthcare costs to qualified police and fire and municipal retirees.
- *Agency Funds* - Agency funds account for assets held by the City for individuals, organizations, other governments, or other funds. They are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Interfund Activity

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. To the extent that cash from various funds has been pooled, pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

Receivables

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

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 and are recorded as prepaid items in both government-wide and fund financial statements.

Note 1 - Significant Accounting Policies (Continued)

Restricted Assets

Restricted assets result from the establishment of debt reserves related to Downriver Utility Wastewater Authority bonds and the Wayne County Downriver Sewage Disposal System bonds.

Capital Assets

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Infrastructure	30-50
Water and sewer distribution systems	50-75
Buildings and building improvements	50
Vehicles	5-10
Equipment and machinery	10-20

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as "other financing sources" and bond discounts as "other financing uses." The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures. The Building Authority Fund and District Court Capital Improvement Fund are used to liquidate government-wide long-term obligations. The Water and Sewer Fund are used to liquidate proprietary fund long-term obligations.

Note 1 - Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has five items that qualify for reporting in this category. One of the deferred outflows is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item reported as deferred outflows in the government-wide statement of net position and proprietary statement of net position is the difference between projected and actual earnings on pension plan and OPEB plan investments. This amount is deferred and amortized over five years. The third item reported as a deferred outflow on the government-wide statement of net position is the difference between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability and total OPEB liability. This is deferred and amortized over the expected remaining service lives of all active and inactive employees who are provided with pensions. The fourth item reported as a deferred outflow on the government-wide statement of net position and proprietary statement of net position is the pension contributions made subsequent to the measurement date. This is deferred and will be expensed in the City's next fiscal year. The last item reported as a deferred outflow on the government-wide statement of net position and proprietary statement of net position is the change in pension assumptions and OPEB assumptions related to economic and demographic factors. This is deferred and amortized over the expected remaining service lives of all active and inactive employees who are provided with pension benefits and OPEB benefits, respectively.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. The deferred inflows of resources related to unavailable revenue are only reported in the governmental fund balance sheet. The governmental funds report unavailable revenue from three sources: grants, state-shared revenue, and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflows of resources related to the differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability and total OPEB liability are reported in the government-wide statement of net position and proprietary statement of net position. These amounts are deferred and amortized over the expected remaining service lives of all active and inactive employees who are provided with pensions and OPEB benefits. The deferred inflows on the government-wide statement of net position and proprietary statement of net position are the change in OPEB assumptions related to economic and demographic factors. This is deferred and amortized over the expected remaining service lives of all active and inactive employees who are provided with OPEB benefits.

Net Position Flow Assumption

The City will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note 1 - Significant Accounting Policies (Continued)

Fund Balance Flow Assumptions

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as committed. The City Council has, by resolution, authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Properties are assessed as of December 31. The related property taxes are billed and become a lien on July 1 of the following year. These taxes are due without penalty during the period from July 1 through August 31, with the final collection date of February 28 before they are added to the county tax rolls.

The City's 2018 property tax revenue was levied and collectible on July 1, 2018 and is recognized as revenue in the year ended June 30, 2019 when the proceeds of the levy are budgeted and available for the financing of operations.

Note 1 - Significant Accounting Policies (Continued)

The 2018 taxable valuation of the City totaled \$682 million (a portion of which is abated and a portion of which is captured by the TIFA and DDA), on which taxes levied consisted of 10.1366 mills for the City's operating purposes, 2.4326 mills for refuse, 9.8500 mills for Act 345 police and fire retirement, 0.880 mills for the library's operating purposes, 1.9334 mills for road construction, 0.0720 mills for Act 349 parks and recreation, 1.0000 mills for 2017 parks and recreation, and 0.6410 mills for the EPA judgment levy. Prior to the Downtown Development Authority and Tax Increment Finance Authority tax captures, the ad valorem taxes levied raised approximately \$6,935,000 for operations, \$1,664,000 for refuse, \$6,739,000 for police and fire retirement, \$602,000 for the library's operations, \$1,323,000 for road construction, \$49,000 for Act 349 parks and recreation, \$684,000 for 2017 parks and recreation millage, and \$426,000 for the EPA judgment levy. In the current year, the City executed a sharing agreement with the Downtown Development Authority (DDA) and Tax Increment Finance Authority (TIFA) in which the DDA and TIFA agreed to forego their allowable captures. In 2019, this amounted to \$75,303 and \$351,606 in foregone captures for the DDA and TIFA, respectively. These amounts are recognized in the General Fund as tax revenue.

Pension

The City offers a defined benefit pension plan to its retirees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The contributions made to the pensions to fund the liability will be made by the fund from which the employee's salary and wage was earned. Investments are reported at fair value.

Other Postemployment Benefits

The City offers retiree healthcare benefits to retirees. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The contributions made to the pensions to fund the liability will be made by the fund from which the employee's salary and wage was earned. Investments are reported at fair value.

Compensated Absences (Vacation and Sick Leave)

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Employees may receive payment of the accumulated sick leave and vacation balance at the rate determined by union contracts, which vary from unit to unit. All vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only for employee terminations as of year end. Compensated absences attributable to the governmental activities and proprietary funds will be liquidated by the fund from which the employee's salary and wage were paid.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for water and sewer sales and greens fees. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for these funds include the cost of sales or services and administrative expenses and may include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2021.

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

June 30, 2019

Note 1 - Significant Accounting Policies (Continued)

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt, provides a single method of reporting conduit debt obligations by issuers, and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result, issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The standard also addresses the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The requirements of the standard will be applied retrospectively and are effective for the City's financial statements for the June 30, 2022 fiscal year.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since July 1, 2000 is as follows:

Cumulative shortfall at July 1, 2018		\$ (7,810)
Current year permit revenue		695,402
Related expenses:		
Direct costs	\$ (562,325)	-
Estimated indirect costs	(77,503)	(639,828)
		55,574
Current year surplus		55,574
Cumulative surplus June 30, 2019		\$ 47,764

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The pension trust fund and retiree healthcare fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated two banks for the deposit of its funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized under the state statutory authority, as listed above.

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$28,236,000 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The City's component units have certain cash, deposits, and investments that are maintained in pooled accounts of the City; therefore, the amount of insured deposits specific to the component units' deposits cannot be determined.

The component units also maintain separate cash accounts from the City's pooled cash account. At year end, the component units had approximately \$18,887 of bank deposits, all of which were insured.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. The City's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

At year end, the City had the following investments and maturities:

Fiduciary Funds	Fair Value	Less Than 5 Years	5-15 Years	Over 15 Years
Mortgage-backed securities	\$ 37,154	\$ -	\$ 525	\$ 36,629
U.S. government securities	2,495	-	97	2,398
Total	<u>\$ 39,649</u>	<u>\$ -</u>	<u>\$ 622</u>	<u>\$ 39,027</u>

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of June 30, 2019, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Fiduciary Funds			
Mortgage-backed securities	\$ 37,154	Not rated	N/A
U.S. government securities	2,495	Not rated	N/A
Money markets funds	<u>3,413,264</u>	AAA	Moody's
Total	<u>\$ 3,452,913</u>		

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk

The City is authorized by the State's Pension Investment Act to invest in common stocks, real estate, and various other investment vehicles, subject to certain limitations. At June 30, 2019, the Policemen and Firemen Retirement System had multiple investments, which consisted mostly of pooled investments that exceed 5.00 percent of the total portfolio. The plan had 7.54 percent invested in Edgewood Growth Fund, 12.3 percent invested in Entrust Special Opportunities Fund, and 5.58 percent invested in JPMorgan Strategic Income Fund.

Risk and Uncertainties

The City invests in various securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

Note 4 - Fair Value Measurements

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

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

June 30, 2019

Note 4 - Fair Value Measurements (Continued)

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

	Assets Measured at Fair Value on a Recurring Basis			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Debt securities:				
Mortgage-backed securities	\$ -	\$ 37,154	\$ -	\$ 37,154
U.S. government securities	-	2,495	-	2,495
Mutual funds - Fixed income	5,230,497	-	-	5,230,497
Total debt securities	5,230,497	39,649	-	5,270,146
Equity securities:				
Stock	24,369,696	-	-	24,369,696
ETF - Equity	1,933,031	-	-	1,933,031
Mutual funds - Equity	3,247,181	-	-	3,247,181
ADRs	-	202,090	-	202,090
Total equity securities	29,549,908	202,090	-	29,751,998
Private equity funds	-	-	1,852,431	1,852,431
Total	\$ 34,780,405	\$ 241,739	\$ 1,852,431	36,874,575
Investments measured at NAV - External investment pools				6,214,999
Total assets				\$ 43,089,574

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of U.S. government securities and mortgage-backed securities at June 30, 2019 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

The fair value of ADRs at June 30, 2019 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs, such as the underlying security "best" price and exchange rate for the underlying security's currency against the U.S. dollar.

The fair value of private equity funds at June 30, 2019 was determined primarily based on Level 3 inputs. The City estimates the fair value of these investments using the fund's fair value, which would be defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are no unfunded commitments on the private equity funds. There are no redemption restrictions associated with any of the Level 3 investments.

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

Investments in Entities that Calculate Net Asset Value per Share

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

June 30, 2019

Note 4 - Fair Value Measurements (Continued)

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

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
External investment pools	\$ 6,214,999	\$ 1,085,001	N/A	N/A

The external investment pools include funds that invest in debt securities that include a broad range of credit ratings and industries. The fair value of the investments in this class have been estimated using net asset value per share of the investment.

Note 5 - Capital Assets

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

Governmental Activities

	Balance July 1, 2018	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being depreciated - Land	\$ 3,386,602	\$ -	\$ -	\$ 3,386,602
Capital assets being depreciated:				
Infrastructure	87,647,684	1,671,470	-	89,319,154
Buildings and improvements	34,933,463	114,000	-	35,047,463
Machinery and equipment	9,036,355	602,223	-	9,638,578
Vehicles	3,506,808	913,016	-	4,419,824
Land improvements	2,773,899	110,799	-	2,884,698
Subtotal	137,898,209	3,411,508	-	141,309,717
Accumulated depreciation:				
Infrastructure	51,015,609	1,953,622	-	52,969,231
Buildings and improvements	14,958,688	712,301	-	15,670,989
Machinery and equipment	8,278,707	129,756	-	8,408,463
Vehicles	2,860,070	224,888	-	3,084,958
Land improvements	1,882,280	106,775	-	1,989,055
Subtotal	78,995,354	3,127,342	-	82,122,696
Net capital assets being depreciated	58,902,855	284,166	-	59,187,021
Net governmental activities capital assets	\$ 62,289,457	\$ 284,166	\$ -	\$ 62,573,623

June 30, 2019

Note 5 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 169,445	\$ -	\$ -	\$ -	\$ 169,445
Construction in progress	462,204	(462,204)	4,221,643	-	4,221,643
Subtotal	631,649	(462,204)	4,221,643	-	4,391,088
Capital assets being depreciated:					
Water and sewer lines	58,315,435	462,204	1,658,861	-	60,436,500
Buildings and improvements	938,581	-	-	-	938,581
Machinery and equipment	2,285,773	-	32,751	-	2,318,524
Vehicles	2,287,022	-	193,467	-	2,480,489
Land improvements	631,708	-	-	-	631,708
Subtotal	64,458,519	462,204	1,885,079	-	66,805,802
Accumulated depreciation:					
Water and sewer lines	22,794,975	-	1,058,472	-	23,853,447
Buildings and improvements	552,283	-	17,102	-	569,385
Machinery and equipment	1,578,665	-	115,630	-	1,694,295
Vehicles	1,818,456	-	84,224	-	1,902,680
Land improvements	384,459	-	17,648	-	402,107
Subtotal	27,128,838	-	1,293,076	-	28,421,914
Net capital assets being depreciated	37,329,681	462,204	592,003	-	38,383,888
Net business-type activities capital assets	\$ 37,961,330	\$ -	\$ 4,813,646	\$ -	\$ 42,774,976

Component Units

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets being depreciated:					
Machinery and equipment	\$ 210,903	\$ -	\$ -	\$ -	\$ 210,903
Land improvements	726,005	-	-	-	726,005
Subtotal	936,908	-	-	-	936,908
Accumulated depreciation:					
Machinery and equipment	210,903	-	-	-	210,903
Land improvements	134,384	-	36,300	-	170,684
Subtotal	345,287	-	36,300	-	381,587
Net capital assets being depreciated	591,621	-	(36,300)	-	555,321
Net component units capital assets	\$ 591,621	\$ -	\$ (36,300)	\$ -	\$ 555,321

June 30, 2019

Note 5 - Capital Assets (Continued)

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

Governmental activities:		
General government	\$	1,093,146
Public safety		271,629
Public works		1,111,170
Recreation and culture		595,355
District court		56,042
		<u>3,127,342</u>
Total governmental activities	\$	<u>3,127,342</u>
Business-type activities:		
Water and sewer	\$	1,267,032
Golf		26,044
		<u>1,293,076</u>
Total business-type activities	\$	<u>1,293,076</u>
Component unit activities - Downtown Development Authority	\$	36,300

Construction Commitments

The City has active construction projects at year end. At year end, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
2018-2019 Joint and Crack Sealing Program	\$ 58,089	\$ 26,301
McCann Avenue Reconstruction	526,750	754,939
Wesley Street Reconstruction	50,899	78,379
Fordline Avenue	523,695	134,821
Rotary Park Improvements	88,406	10,709
2018-2019 Catch Basin and Pavement Repairs	156,241	68,544
	<u>\$ 1,404,080</u>	<u>\$ 1,073,693</u>
Total		

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Community Development Block Grant Fund	\$ 195,415
	Southgate-Wyandotte Operation and Maintenance Fund	21,751
	Total General Fund	<u>217,166</u>
Local Street Fund	Major Street Fund	84,224
Community Development Block Grant Fund	Southgate-Wyandotte Operation and Maintenance Fund	4,000
Internal service fund - Workers' Compensation Fund	General Fund	<u>366,035</u>
	Total	<u>\$ 671,425</u>

June 30, 2019

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

The City has made the following long-term advances between funds:

Fund Borrowed From	Fund Loaned To	Amount
Nonmajor governmental funds	Proprietary fund - Golf Course Fund	\$ 94,089

The balance of amounts loaned to (borrowed from) discretely presented component units is as follows:

Receivable	Payable	Amount
Nonmajor governmental funds	Southeastern Michigan Information Alliance	\$ 45,056
Southeastern Michigan Information Alliance	General Fund	3,720
	Total	<u>\$ 48,776</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. The advance from the Street Paving Fund to the Golf Course Fund was to assist in the financing of the golf course operations.

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Nonmajor governmental funds	\$ 304,975
	Proprietary Fund - Golf Course Fund	175,000
	Total General Fund	479,975
Major Street Fund	Local Street Fund	483,964
Nonmajor governmental funds	Nonmajor governmental funds	97,275
	Total	<u>\$ 1,061,214</u>

The transfer from the General Fund to the nonmajor governmental funds represents the transfer of funds for debt service. The remaining transfers represent transfers of funds for debt service and to finance operations.

June 30, 2019

Note 7 - Long-term Debt

Long-term debt activity for the year ended June 30, 2019 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -							
Direct borrowings and direct placements -							
2006 City Hall heating/cooling capital lease:							
Original issue: \$313,000		\$4,914 -					
Maturing through 2021	4.98%	\$28,640	\$ 86,735	\$ -	\$ (25,930)	\$ 60,805	\$ 27,251
Other debt:							
Capital Improvement Refunding Bond Series 2015A:							
Original issue: \$2,400,000		\$95,000 -					
Maturing through 2023	2.0% - 3.0%	375,000	1,305,000	-	(370,000)	935,000	365,000
Capital Improvement Refunding Bond Series 2015B:							
Original issue: \$6,360,000		\$555,000 -					
Maturing through 2026	2.6%	650,000	4,775,000	-	(540,000)	4,235,000	555,000
Total other debt principal outstanding			6,080,000	-	(910,000)	5,170,000	920,000
Unamortized bond premiums			37,104	-	(8,245)	28,859	8,245
Total bonds and contracts payable			6,203,839	-	(944,175)	5,259,664	955,496
Compensated absences			2,260,182	651,749	(807,792)	2,104,139	736,449
Self-insurance claims			70,000	108,598	(108,598)	70,000	21,000
Total governmental activities long-term debt			\$ 8,534,021	\$ 760,347	\$ (1,860,565)	\$ 7,433,803	\$ 1,712,945

June 30, 2019

Note 7 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -							
Direct borrowings and direct placements -							
Downriver Utility Wastewater System bonds							
Original issue: Various		\$263,125 -					
Maturing: 2027-2043	1.65% - 5.0%	\$748,538	\$ -	\$ 9,668,652	\$ -	\$ 9,668,652	\$ 307,330
Downriver Sewage Disposal System bonds							
Original issue: Various		\$61,623 -					
Maturing: 2020-2028	2.0% - 5.45%	\$318,020	6,901,925	20,032	(5,836,230)	1,085,727	318,020
Tank rehabilitation bonds: Original issue: \$423,640							
Maturing through 2027	8.9%	\$192,186	192,186	-	(192,186)	-	-
Act 94 - Water and Sewer System revenue bonds - DWRP:							
Original issue: \$4,000,000		\$140,000-					
Maturing through 2039	2.5%	230,000	3,397,060	262,940	(140,000)	3,520,000	145,000
Total bonds and contracts payable			10,491,171	9,951,624	(6,168,416)	14,274,379	770,350
Compensated absences			125,467	37,882	(52,473)	110,876	60,982
Total business-type activities long-term debt			<u>\$ 10,616,638</u>	<u>\$ 9,989,506</u>	<u>\$ (6,220,889)</u>	<u>\$ 14,385,255</u>	<u>\$ 831,332</u>

During the year ended June 30, 2017, the City was approved for \$4,000,000 of Drinking Water Revolving Fund Bonds (DWRP). Under the DWRP program, bond proceeds are received as project costs are incurred. For the year ended June 30, 2018, the City drew an additional \$262,940 down on the loan. The amount outstanding at June 30, 2019 is \$3,520,000.

On September 27, 2018, the Downriver Sewage Disposal System (the "System") transferred from the County of Wayne, Michigan to the Downriver Utility Wastewater Authority (DUWA). As part of the System's transfer, DUWA issued bonds of \$58.5 million and assumed \$62 million of the System's debt. The City is a participant of DUWA and has an obligation to cover an allocation of the outstanding debt. In the current year, the City recorded \$4,944,645 for DUWA's \$58.5 million bond proceeds issued in the current year. The City recorded the transfer of the System's debt to DUWA as a debt addition \$4,724,007 to the bonds for DUWA and as a debt reduction of \$4,724,007 to the bonds for the System.

The Building Authority's bonds represent the financing to construct the Fun and Fitness Center, ice arena, and library expansion. The assets of the Tax Increment Financing Authority district have been pledged for repayment of the Fun and Fitness Center debt.

June 30, 2019

Note 7 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds and note obligations are as follows (other than self-insurance claims and compensated absences):

Years Ending June 30	Governmental Activities					Business-type Activities		
	Direct Borrowings and Direct Placements		Other Debt		Total	Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest		Principal	Interest	
2020	\$ 27,251	\$ 2,412	\$ 920,000	\$ 134,510	\$ 1,084,173	\$ 770,350	\$ 459,380	\$ 1,229,730
2021	28,640	1,023	950,000	112,780	1,092,443	829,901	440,228	1,270,129
2022	4,914	29	685,000	86,580	776,523	643,938	418,272	1,062,210
2023	-	-	705,000	68,390	773,390	665,070	398,401	1,063,471
2024	-	-	620,000	49,660	669,660	976,323	377,687	1,354,010
2025-2029	-	-	1,290,000	50,440	1,340,440	3,681,593	1,549,699	5,231,292
2030-2034	-	-	-	-	-	3,107,102	991,015	4,098,117
2035-2039	-	-	-	-	-	2,344,259	551,666	2,895,925
2040-2044	-	-	-	-	-	1,255,843	160,906	1,416,749
Total	<u>\$ 60,805</u>	<u>\$ 3,464</u>	<u>\$ 5,170,000</u>	<u>\$ 502,360</u>	<u>\$ 5,736,629</u>	<u>\$ 14,274,379</u>	<u>\$ 5,347,254</u>	<u>\$ 19,621,633</u>

Note 8 - Restricted Assets

A portion of the water and sewer user fee has been restricted by ordinance to be used solely for the purpose of making capital improvements in the City’s water and sewer system. In addition, restricted assets result from the establishment of debt reserves related to Wayne County Sewage Disposal System bonds and to Downriver Utility Wastewater Authority bonds.

At June 30, 2019, restricted assets are composed of the following:

Wayne County Sewage Disposal System bonds - Assets held at the county for future debt payments	\$ 1,392,291
Downriver Utility Wastewater Authority bonds - Assets held at the Authority for future debt payments	<u>974,476</u>
Total restricted assets	<u><u>\$ 2,366,767</u></u>

Net position in the amount of \$1,392,291 has been restricted. This amount represents unspent property tax collections remitted to the County for future debt service payments on the Wayne County, Michigan bonds. The cash reserves held at the Downriver Utility Wastewater Authority were not restricted net position, as the cash reserves were generated from unspent bond proceeds.

June 30, 2019

Note 9 - Fund Balance Constraints

The detail of the various components of fund balance is as follows:

	General Fund	Capital Improvement Fund
Nonspendable - Prepaids	\$ 179,403	\$ -
Restricted:		
Unspent property tax proceeds - Police and fire pension	500,437	-
Low-income housing	9,163	-
Restricted donation	-	153,831
Building department	47,764	-
Total restricted	<u>557,364</u>	<u>153,831</u>
Committed:		
County property tax chargebacks/MTT settlements	289,000	-
Computer software acquisition	2,635	-
Police cars	-	438,567
Property acquisition	-	115,116
Fire rescue equipment	-	160,000
SINC	136,000	-
Total committed	<u>427,635</u>	<u>713,683</u>
Assigned:		
Workers' compensation	330,000	-
Severance reserve	800,000	-
Future working capital	275,000	-
Future OPEB	168,000	-
Golf course debt	94,000	-
Fire truck lease	50,000	-
Capital projects	-	226,072
Total assigned	<u>1,717,000</u>	<u>226,072</u>
Total nonspendable, restricted, committed, and assigned fund balances	<u>\$ 2,881,402</u>	<u>\$ 1,093,586</u>

Note 10 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefit claims and a portion of general claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 - Risk Management (Continued)

The City estimates the liability for general liability and workers' compensation claims that have been incurred through the end of the fiscal year, including claims that have been reported, as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	2019	2018
Unpaid claims - Beginning of year	\$ 298,000	\$ 298,000
Incurred claims, including claims incurred but not reported	197,159	180,050
Claim payments	(197,159)	(180,050)
Unpaid claims - End of year	\$ 298,000	\$ 298,000

Recorded in the accrued and other liabilities of the Workers' Compensation Fund is a liability for \$228,000 related to workers' compensation claims. The remaining amount of unpaid claims liability is recorded as long-term debt.

Note 11 - Pension Plans

Plan Description

The City of Southgate, Michigan provides a monthly retirement benefit to employees who meet the eligibility requirements, including age and years of service. The benefits are provided through the Municipal Employees' Retirement System (MERS), an agent multiple-employer plan administered by the MERS of Michigan Board, and Policemen and Firemen Retirement System, a single-employer plan administered by the Policemen and Firemen Retirement System Board.

MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report, which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmichigan.com or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

The Policemen and Firemen Retirement System provides pension benefits for certain police and fire personnel. Benefits terms have been established by contractual agreements between the City and the various employee union representations. Management of the Policemen and Firemen Retirement System is vested in the retirement board, which consists of five members: the mayor, or a resident of the City designated by the mayor; a member of City Council to be selected by City Council; a resident who is an elector of the City appointed by City Council and who is not eligible to participate in the retirement system as a member; and two members of the retirement system elected by plan members.

Benefits Provided

Municipal Employees' Retirement System

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers all full-time municipal employees hired before July 2, 2011.

The pension plan provides retirement, disability, and death benefits. Plan members are eligible for retirement at age 60 with 10 or more years of service, age 50 with 25 or more years of service, or the date at which the sum of age plus years of service equals 80 or more. The annual amount of benefits provided is calculated by total service times 2.25 percent of final average salary for employees hired before July 1, 2008; total service times 1.50 percent of final average salary for employees hired after July 1, 2008; and after December 31, 2014, 70 percent of base wages after annuity withdrawal for all employees.

Note 11 - Pension Plans (Continued)

Plan members are eligible for deferred retirement at 10 or more years of service. The benefit begins at age 60 and is computed as a regular retirement, but based on service and final average salary at the time of termination.

Plan members are eligible for duty disability retirement at any age or service requirements and in receipt of workers' compensation. Duty disability retirement benefits are computed as a regular benefit. The minimum benefit is 20 percent of final average salary. Upon termination of workers' compensation, additional service credit, to age 65, is granted and benefit is recomputed.

Plan members are eligible for nonduty disability retirement at 10 or more years of service and is computed as a regular retirement.

Plan members are eligible for duty death before retirement benefits at any age or service and must be in receipt of workers' compensation. The annual amount is a refund of accumulated contributions.

Plan members are eligible for nonduty death before retirement benefits with 15 or more years of service or age 60 with 10 or more years of service. The annual amount is computed as a regular retirement, but is actuarially reduced in accordance with a 100 percent joint and survivor election.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are 0.50 percent, noncompounding.

Policemen and Firemen Retirement System

The pension plan provides retirement, disability, and death benefits. All groups are eligible for service retirement at the age of 50 with 25 or more years of service or age 60 regardless of service. For IAFF Local 1307 members hired before July 1, 2008, the annual benefit is calculated as 2.69 percent of final average compensation times first 25 years of service plus 1 percent of final average compensation times years of service in excess of 25 years, subject to a maximum annual benefit cap of \$80,000 after annuity withdrawal, and payable as straight life annuity. For IAFF Local 1307 members hired after July 1, 2008, the annual benefit is calculated the same as those hired before July 1, 2008, but is subject to a maximum annual benefit cap of \$70,000. Members promoted to command positions on or after July 1, 2006 will be provided the same pension calculations and payout at retirement as they were provided as noncommand officers. For police (COA) members promoted to COA prior to July 1, 2008, the annual benefits are calculated as 2.69 percent of final average compensation times first 25 years of service plus 1 percent of final average compensation times years of service in excess of 25 years, payable as a straight life annuity. Members promoted to COA on or after July 1, 2006 will maintain their current benefits unless the COA agreement provides less. For all current and future COA members, the benefit will be subject to a maximum annual benefit of \$80,000 after annuity withdrawal. For police patrol members, the annual benefit is calculated as 2.69 percent of final average compensation times the first 25 years of service plus 1 percent of final average compensation times years of service in excess of 25 years, subject to a maximum annual benefit cap of \$80,000, after annuity withdrawal, payable as a straight life annuity. The current fire chief and public safety director are subject to a maximum annual benefit cap of \$89,447 after annuity withdrawal, payable as a straight life annuity.

All pension plan members are eligible for deferred retirement benefits at 10 or more years of service, and the annual amount is computed as service retirement, but based upon service, final average compensation, and benefit in effect at termination. Benefits begin at the date retirement would have occurred had the member remained in employment.

All pension plan members are eligible for death after retirement survivor's pension, which is payable to a surviving spouse, if any, upon the death of a retired member who was receiving a straight life pension that was effective July 1, 1975 or later. The spouse's pension equals 60 percent of the pension the retiree was receiving.

Note 11 - Pension Plans (Continued)

All pension plan members are eligible for a nonduty death-in-service survivor's pension, which is payable to a surviving spouse, if any, upon the death of a member with 10 or more years of service. The amount is calculated by the accrued straight life pension actuarially reduced in accordance with an Option I election.

All pension plan members are eligible for a duty death-in-service survivor's pension, which is payable upon the expiration of workers' compensation to the survivors of a member who died in the line of duty. The amount will be the same amount that was paid by workers' compensation.

All pension plan members are eligible for nonduty disability, which is payable upon the total and permanent disability of a member with five or more years of service. The amount is calculated to age 55 as 1.5 percent of final average compensation times years of service and at age 55 as the same as service retirement pension.

All pension plan members are eligible for duty disability, which is payable upon the total and permanent disability of a member in the line of duty. The amount is calculated to age 55 as 50 percent of final average compensation and at age 55 as the same as service retirement pension with service credit from date of disability to age 55.

Benefit terms are generally established and amended by authority of the members of the City Council, generally after negotiations of these terms with the affected unions.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	Municipal Employees' Retirement System	Policemen and Firemen Retirement System
Date of member count	December 31, 2018	June 30, 2019
Inactive plan members or beneficiaries currently receiving benefits	83	94
Inactive plan members entitled to but not yet receiving benefits	4	3
Active plan members	39	65
Total employees covered by the plan	<u>126</u>	<u>162</u>

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the City (Policemen and Firemen Retirement System) and MERS (Municipal Employees' Retirement System) retain an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

For MERS, the employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The employer may establish contribution rates to be paid by its covered employees. For the Policemen and Firemen Retirement System, contribution requirements of the system members are established and may be amended by city ordinances and negotiations with the City's collective bargaining units.

Note 11 - Pension Plans (Continued)

For the year ended June 30, 2019, the average employee contribution rate was 10.0 percent of annual pay, and the City's average contribution rate was 40.61 percent of annual payroll for the MERS plan. For the year ended June 30, 2019, the Policemen and Firemen Retirement System's average employee contribution rate was 7.08 percent of annual pay, and the City's average contribution rate was 82.96 percent of annual payroll.

Net Pension Liability

The City chooses a date for each pension plan to measure its net pension liability. This is based on the measurement date of each pension plan, which may be based on a comprehensive valuation as of that date or based on an earlier valuation that has used procedures to roll the information forward to the measurement date.

	Municipal Employees' Retirement System	Policemen and Firemen Retirement System
Measurement date used for the City's net pension liability	December 31, 2018	June 30, 2019
Based on a comprehensive actuarial valuation as of	December 31, 2018	June 30, 2018

Changes in the net pension liability during the measurement year were as follows:

Municipal Employees' Retirement System

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2017	\$ 29,043,059	\$ 20,016,048	\$ 9,027,011
Changes for the year:			
Service cost	272,690	-	272,690
Interest	2,245,075	-	2,245,075
Differences between expected and actual experience	400,047	-	400,047
Contributions - Employer	-	896,716	(896,716)
Contributions - Employee	-	239,965	(239,965)
Net investment loss	-	(755,459)	755,459
Benefit payments, including refunds	(2,231,922)	(2,231,922)	-
Administrative expenses	-	(38,188)	38,188
Net changes	685,890	(1,888,888)	2,574,778
Balance at December 31, 2018	<u>\$ 29,728,949</u>	<u>\$ 18,127,160</u>	<u>\$ 11,601,789</u>

The plan's fiduciary net position represents 60.97 percent of the total pension liability.

June 30, 2019

Note 11 - Pension Plans (Continued)

Policemen and Firemen Retirement System

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2018	\$ 73,582,366	\$ 46,782,048	\$ 26,800,318
Changes for the year:			
Service cost	1,016,409	-	1,016,409
Interest	5,166,786	-	5,166,786
Differences between expected and actual experience	421,080	-	421,080
Contributions - Employer	-	4,328,200	(4,328,200)
Contributions - Employee	-	369,558	(369,558)
Net investment income	-	968,564	(968,564)
Benefit payments, including refunds	(5,649,110)	(5,649,110)	-
Net changes	955,165	17,212	937,953
Balance at June 30, 2019	<u>\$ 74,537,531</u>	<u>\$ 46,799,260</u>	<u>\$ 27,738,271</u>

The plan's fiduciary net position represents 62.79 percent of the total pension liability.

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

For the year ended June 30, 2019, the City recognized pension expense of \$1,534,126 and \$4,880,635 from Municipal Employees' Retirement System and Policemen and Firemen Retirement System, respectively.

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

	Municipal Employees' Retirement System		Policemen and Firemen Retirement System	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 200,024	\$ (166,207)	\$ 885,319	\$ (329,722)
Changes in assumptions	-	-	1,835,593	-
Net difference between projected and actual earnings on pension plan investments	1,345,787	-	1,253,487	-
Employer contributions to the plan subsequent to the measurement date	432,903	-	-	-
Total	<u>\$ 1,978,714</u>	<u>\$ (166,207)</u>	<u>\$ 3,974,399</u>	<u>\$ (329,722)</u>

June 30, 2019

Note 11 - Pension Plans (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Municipal Employees' Retirement System	Policemen and Firemen Retirement System
2020	\$ 500,799	\$ 1,642,726
2021	148,166	654,650
2022	268,358	741,477
2023	462,281	569,889
2024	-	35,935

Actuarial Assumptions

The total pension liability in each actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	Municipal Employees' Retirement System	Policemen and Firemen Retirement System
Inflation	2.50%	2.75%
Salary increases (including inflation)	3.75%	3.50%
Investment rate of return (net of investment expenses)	8.00%	7.25%
Mortality rates	RP-2014 Mortality Table	RP-2014 Mortality Tables

Discount Rate

As shown below, the discount rate used to measure the total pension liability was determined after considering a projection of the cash flows to determine whether the future contributions (made at the current contribution rates) will be sufficient to allow the pension plans' fiduciary net position to make all projected future benefit payments of current active and inactive employees.

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.

	Municipal Employees' Retirement System	Policemen and Firemen Retirement System
Assumed investment rate of return	8.00%	7.25%
Are contributions expected to be sufficient to allow fiduciary net position to pay future benefits?	Yes	Yes
Discount rate used to measure the total pension liability	8.00%	7.25%

Note 11 - Pension Plans (Continued)

Investment Rate of Return

Best estimates of arithmetic real rates of return as of the December 31, 2018 MERS measurement date and June 30, 2019 Policemen and Firemen Retirement System measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Municipal Employees' Retirement System

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

Policemen and Firemen Retirement System

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equities	35.00 %	5.80 %
International equities	25.00	5.80
Fixed income	18.00	1.80
Real estate	5.00	6.00
Absolute return/Hedge funds	5.00	3.30
Private equity	10.00	10.90
Cash or cash equivalents	2.00	1.00

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liabilities of the City, calculated using the discount rate of 8.00 percent for MERS and using the discounted rate of 7.25 percent for Policemen and Firemen Retirement System, as well as what the City's net pension liabilities would be if they were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rates:

	1 Percent Decrease	Current Discount Rate	1 Percent Increase
Net pension liability of the Municipal Employees' Retirement System	\$ 14,678,203	\$ 11,601,789	\$ 8,988,326
Net pension liability of the Policemen and Firemen Retirement System	36,004,597	27,738,271	20,786,373

Pension Plan Fiduciary Net Position

Detailed information about the Municipal Employees' Retirement System's fiduciary net position is available in the separately issued financial report found at www.mersofmichigan.com. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefits payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

The Policemen and Firemen Retirement System's financial statements are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

June 30, 2019

Note 11 - Pension Plans (Continued)

Investment Policy

The Policemen and Firemen Retirement System’s policy in regard to the allocation of invested assets is established and may be amended by the retirement board by a majority vote of its members. It is the policy of the retirement board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The retirement system’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the retirement board’s adopted asset allocation policy as of June 30, 2019:

Asset Class	Target Allocation
Domestic equities	35.00 %
International equities	25.00
Fixed income	18.00
Real estate	5.00
Absolute return/Hedge funds	5.00
Private equity	10.00
Cash or cash equivalents	2.00
Total	100.00 %

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on Policemen and Firemen Retirement System investments, net of pension plan investment expense, was 1.38 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Plan Reserves - Policemen and Firemen Retirement System

In accordance with plan documents, the following reserves are required to be set aside within the Policemen and Firemen Retirement System:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee and credits interest annually at a rate of 2.0 percent. For any employees who terminate before vesting in the pension plan, their balances are returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

The employer reserve account is used to account for the residual net position balance in the pension plan after funding the above two reserves.

The balances of the reserve accounts at June 30, 2019 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 68,405,882	\$ 40,667,611
Employee reserve	6,131,649	6,131,649
Employer reserve	-	-
Total	\$ 74,537,531	\$ 46,799,260

Note 12 - Other Postemployment Benefit Plans

Plan Description

The City provides postemployment benefits other than pension (OPEB) for all employees who meet eligibility requirements. The benefits are provided through the Municipal Employees' Retiree Healthcare System, a single-employer plan administered by the Municipal Employees' Retiree Healthcare System Board, and the Policemen and Firemen Retiree Healthcare System, a single-employer plan administered by the Policemen and Firemen Retiree Healthcare System Board.

The financial statements of each OPEB plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Management of the plan is vested in the City Council, which consists of seven elected members.

Benefits Provided

The Municipal Employees' Retiree Healthcare System and the Policemen and Firemen Retiree Healthcare System provide healthcare, dental, and vision benefits for retirees and their spouses who are 60 years of age with 10 years of service or are 50 years of age with 25 years of service. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan. As of July 1, 2008 and July 1, 2018, the Municipal Employees' Retiree Healthcare System and the Policemen and Firemen Retiree Healthcare System were closed to new entrants, respectively.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	Municipal Employees' Retiree Healthcare System	Policemen and Firemen Retiree Healthcare System
Date of member count	June 30, 2017	June 30, 2017
Inactive plan members or beneficiaries currently receiving benefits	73	82
Active plan members	45	61
Total plan members	<u>118</u>	<u>143</u>

Contributions

The Policemen and Firemen Retiree Healthcare System's funding policy is that the employer will make discretionary contributions. There are no long-term contracts for contributions to the plans. The plans have no legally required reserves. For the year ended June 30, 2019, the City contributed \$2,036,800 to the Policemen and Firemen Retiree Healthcare System. Plan members are not required to contribute to the plan.

The Municipal Employees' Retiree Healthcare System's retiree healthcare costs are paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. In the current year, the City paid postemployment healthcare premiums of \$850,388, plus it contributed \$159,000 into a prefunded retiree healthcare fund, which is reported in these financial statements as a Pension and Other Employee Benefit Trust Fund type.

June 30, 2019

Note 12 - Other Postemployment Benefit Plans (Continued)

Net OPEB Liability

The City chooses a date for each OPEB plan to measure its net OPEB liability. This is based on the measurement date of each OPEB plan, which may be based on a comprehensive valuation as of that date or based on an earlier valuation that has used procedures to roll the information forward to the measurement date.

	<u>Municipal Employees' Retiree Healthcare System</u>	<u>Policemen and Firemen Retiree Healthcare System</u>
Measurement date used for the City's net OPEB liability	June 30, 2019	June 30, 2019
Based on a comprehensive actuarial valuation as of	June 30, 2017	June 30, 2017

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

Municipal Employees' Retiree Healthcare System

Changes in Net OPEB Liability	Increase (Decrease)		
	<u>Total OPEB Liability</u>	<u>Plan Net Position</u>	<u>Net OPEB Liability</u>
Balance at July 1, 2018	\$ 31,783,860	\$ 2,812,124	\$ 28,971,736
Changes for the year:			
Service cost	615,761	-	615,761
Interest	1,145,258	-	1,145,258
Changes in benefits	(207,212)	-	(207,212)
Differences between expected and actual experience	(50,687)	-	(50,687)
Changes in assumptions	2,519,868	-	2,519,868
Contributions - Employer	-	1,098,233	(1,098,233)
Net investment income	-	88,403	(88,403)
Benefit payments, including refunds	(909,576)	(909,576)	-
Administrative expenses	-	(12,625)	12,625
Net changes	<u>3,113,412</u>	<u>264,435</u>	<u>2,848,977</u>
Balance at June 30, 2019	<u>\$ 34,897,272</u>	<u>\$ 3,076,559</u>	<u>\$ 31,820,713</u>

The plan's fiduciary net position represents 8.82 percent of the total OPEB liability.

June 30, 2019

Note 12 - Other Postemployment Benefit Plans (Continued)

Policemen and Firemen Retiree Healthcare System

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2018	\$ 53,036,528	\$ 2,217,192	\$ 50,819,336
Changes for the year:			
Service cost	1,424,070	-	1,424,070
Interest	1,910,366	-	1,910,366
Changes in benefits	(453,321)	-	(453,321)
Differences between expected and actual experience	365,270	-	365,270
Changes in assumptions	4,360,400	-	4,360,400
Contributions - Employer	-	2,334,678	(2,334,678)
Net investment income	-	9,827	(9,827)
Benefit payments, including refunds	(1,952,040)	(1,952,040)	-
Administrative expenses	-	(12,624)	12,624
Net changes	5,654,745	379,841	5,274,904
Balance at June 30, 2019	\$ 58,691,273	\$ 2,597,033	\$ 56,094,240

The plan's fiduciary net position represents 4.42 percent of the total OPEB liability.

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$510,903 and \$2,492,390 from Municipal Employees' Retiree Healthcare System and Policemen and Firemen Retiree Healthcare System, respectively.

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

	Municipal Employees' Retiree Healthcare System		Policemen and Firemen Retiree Healthcare System	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (1,813,040)	\$ 301,565	\$ (4,033,461)
Changes in assumptions	1,695,034	(100,597)	3,599,928	(322,965)
Net difference between projected and actual earnings on OPEB plan investments	71,623	-	99,984	-
Total	\$ 1,766,657	\$ (1,913,637)	\$ 4,001,477	\$ (4,356,426)

June 30, 2019

Note 12 - Other Postemployment Benefit Plans (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending June 30	Municipal Employees' Retiree Healthcare System	Policemen and Firemen Retiree Healthcare System
2020	\$ (950,544)	\$ (314,390)
2021	733,026	(314,390)
2022	67,222	(314,390)
2023	3,316	(16,560)
2024	-	604,781
Total	<u>\$ (146,980)</u>	<u>\$ (354,949)</u>

Actuarial Assumptions

The total OPEB liability in each actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	Municipal Employees' Retiree Healthcare System	Policemen and Firemen Retiree Healthcare System
Inflation	2.75%	2.75%
Salary increases (including inflation)	3.50%	3.50%
Investment rate of return (net of investment expenses)	3.13%	3.13%
Healthcare cost trend rate	9.00 percent graded down to 3.5 percent after 10 years	9.00 percent graded down to 3.5 percent after 10 years
Mortality rates	RP-2014 Mortality Table	RP-2014 Healthy Annuitant Generational Mortality Tables

Discount Rate

The discount rate used to measure the total OPEB liability was 3.13 percent for both the Municipal Employees' Retiree Healthcare System and the Policemen and Firemen Retiree Healthcare System. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contributions rates.

The discount rate is the same as the municipal bond rate which was 3.13 percent. The source of that bond rate was the tax-exempt municipal bond rate based on an index of 20-year general obligation with an average of AA credit rating. No projections of the ability of the fund to meet benefit obligations in the future were made since the discount rate is equivalent as the municipal bond rate. The discount rate of 3.13 percent was applied to all remaining periods.

Investment Rate of Return

The investment rate of return was assumed to be 3.13 percent, net of OPEB plan investment expense, including inflation.

The long-term expected rate of return on OPEB plan investments for both systems was determined by the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating. The systems do not have investment policies, and the systems only invest in cash and certificates of deposits

June 30, 2019

Note 12 - Other Postemployment Benefit Plans (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City for each system, calculated using the discount rate of 3.13 percent, as well as what the City's net OPEB liability for each system would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (2.13%)	Current Discount Rate (3.13%)	1 Percent Increase (4.13%)
Net OPEB liability of the Municipal Employees' Retiree Healthcare System	\$ 37,958,985	\$ 31,820,713	\$ 26,977,917
Net OPEB liability of the Policemen and Firemen Retiree Healthcare System	66,776,852	56,094,240	47,746,640

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the City for each system, calculated using the healthcare cost trend rate of 9.0 percent, as well as what the City's net OPEB liability for each system would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (8.0%)	Current Healthcare Cost Trend Rate (9.0%)	1 Percent Increase (10.0%)
Net OPEB liability of the Municipal Employees' Retiree Healthcare System	\$ 26,290,073	\$ 31,820,713	\$ 38,918,477
Net OPEB liability of the Policemen and Firemen Retiree Healthcare System	46,252,818	56,094,240	69,017,649

OPEB Plan Fiduciary Net Position

The Municipal Employees' Retiree Healthcare System and the Policemen and Firemen Retiree Healthcare System's financial statements are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Assumption Changes

Note that the discount rate and investment rate of return used to measure the net OPEB liability decreased in the current year to 3.13 percent. The net OPEB liability measured at June 30, 2018 was calculated using a discount rate and investment rate of return of 3.62 percent. This decrease is due to the tax-exempt municipal bond rate, which is based on an index of 20-year general obligation bonds with an average AA credit rating, decreasing between June 30, 2018 and June 30, 2019. As a result of the decrease, the total OPEB liability increased by \$2,519,868 and \$4,360,400 for the Municipal Employees' Retiree Healthcare System and Policemen and Firemen Retiree Healthcare System, respectively.

Note 13 - Joint Ventures

Southgate-Wyandotte Drainage District

The City is a member of the Southgate-Wyandotte Drainage District, a joint venture with the City of Wyandotte, Michigan that provides drainage services to the residents of Southgate and Wyandotte. The venture is administered by the Wayne County Drainage Board. The City paid \$689,457 to Wayne County, Michigan (the "County") during the year for operation and maintenance.

The City of Southgate, Michigan does not have an explicit equitable interest in the venture. The operations of the fund will be financed through assessments to the participating cities; Wayne County, Michigan; and the State of Michigan. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Downriver Utility Wastewater Authority

The City, along with 12 other communities, jointly participates in the Downriver Sewage Disposal System (the "System"). On September 27, 2018, the System transferred from the County of Wayne, Michigan to the Downriver Utility Wastewater Authority (DUWA). DUWA is a consortium formed in 2010 under Public Act 233 of 1955 to acquire and operate the sewer system. The same 12 communities that originally jointly participated in the System are now the members of DUWA and are effectively owners of the System. The transfer price was \$54 million, which was paid at closing with \$55 million in revenue bonds (Senior Lien bond proceeds) issued by DUWA, plus an obligation for an additional payment of \$3.5 million to be paid in September 2023.

Existing county debt related to the System was handled as follows:

- Judgment levy debt remains as an obligation of the County and will continue to be paid directly from the communities to the County.
- 2007D series bonds were refunded and reissued as part of the \$55 million Senior Lien bond issuance.
- The outstanding State Revolving Fund (SRF) debt of \$62 million was exchanged into DUWA's name and has now become a liability of DUWA.

At the time of the system transfer on September 27, 2018, in addition to transferring the treatment plant, distribution system, and other capital assets with a net book value of approximately \$190 million, the County also transferred approximately \$40 million of cash. In exchange for these assets, DUWA is obligated for the exchanged SRF debt in the principal amount of approximately \$62 million, the new 2018 Senior Lien debt issuance with a face amount of \$55 million, and the \$3.5 million remaining transfer obligation. All DUWA debt is revenue bond debt that will be paid by the communities through rates and charges.

The City's share of capital assets, restricted cash (for debt service), and related debt is recorded in the Water and Sewer Fund. During the year, the City paid \$1,418,967 for operations of the System and paid \$280,535 for debt service. The City is not aware of any circumstances that would cause additional benefit or burden to the participating governments in the near future. Financial statements for the joint venture can be obtained from the administrative offices at 25605 Northline Road, Taylor, MI 48180.

Special Item

In previous years, the City recorded an investment in joint ventures for their participation in the Downriver Sewage Disposal System. The investment in joint ventures represented unrestricted net position of the System that would be returned to the communities if the system were to be dissolved or replace. On September 27, 2018, the System was transferred to DUWA, a legally separate entity. The City of Southgate, Michigan does not have an explicit equitable interest in DUWA. As a result of the transfer of asset, the City reduced the investment in joint ventures to zero. The loss on the transfer of asset of \$1,455,279 was recorded as a special item on the proprietary funds statement of revenue, expenses, and changes in net position.

June 30, 2019

Note 14 - Tax Abatements

The City receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974) granted by cities, villages, and townships within the boundaries of the City. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities. Under the program, the City grants reductions of 50 percent of the property tax bill for new property or it can freeze taxable values for rehabilitation properties.

For the fiscal year ended June 30, 2019, the City abated \$46,074 of taxes under these programs. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

There are no significant abatements made by other governments that reduce the City's tax revenue.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 16,368,364	\$ 16,368,364	\$ 16,320,227	\$ (48,137)
Reimbursements from other funds	1,268,379	1,268,379	1,187,513	(80,866)
Intergovernmental:				
Federal grants	39,000	39,000	16,405	(22,595)
State sources	3,424,775	3,424,775	3,567,884	143,109
Charges for services	661,500	661,500	646,361	(15,139)
Fines and forfeitures	1,298,500	1,298,500	1,531,522	233,022
Licenses and permits	632,200	632,200	771,562	139,362
Rental and interest income	824,409	824,409	866,311	41,902
Other revenue	120,000	120,000	197,853	77,853
Total revenue	24,637,127	24,637,127	25,105,638	468,511
Expenditures				
Current services:				
General government:				
City Council	38,658	38,658	38,142	516
Executive	238,733	238,733	231,935	6,798
Finance	440,996	440,996	443,276	(2,280)
Treasurer	222,592	222,592	219,491	3,101
Assessing	182,700	182,700	218,539	(35,839)
Clerk	163,162	163,162	159,320	3,842
Attorney	151,500	151,500	156,360	(4,860)
Elections	24,750	24,750	34,728	(9,978)
Civil Service Commission	2,000	2,000	600	1,400
Nondepartmental	3,697,594	3,697,594	3,632,523	65,071
28th District Court	1,111,715	1,111,715	1,075,672	36,043
Public safety:				
Police	7,552,715	7,552,715	7,583,205	(30,490)
Fire	4,414,297	4,414,297	4,930,406	(516,109)
Emergency preparedness	5,240	5,240	1,615	3,625
Police and Fire Civil Service Commission	7,200	7,200	4,915	2,285
Building inspections and related	435,358	435,358	421,516	13,842
Public works:				
Public services	1,959,419	1,959,419	1,900,571	58,848
Sanitation	1,497,581	1,497,581	1,509,536	(11,955)
Planning	15,000	15,000	24,854	(9,854)
City Garage	556,320	556,320	573,677	(17,357)
Recreation and culture:				
Recreation	884,539	884,539	1,050,595	(166,056)
Senior Citizen Center	90,936	90,936	67,138	23,798
Cultural Commission	1,700	1,700	1,785	(85)
Transfer to other funds	579,975	579,975	814,975	(235,000)
Total expenditures	24,274,680	24,274,680	25,095,374	(820,694)
Net Change in Fund Balance	362,447	362,447	10,264	(352,183)
Fund Balance	362,447	362,447	10,264	(352,183)
Fund Balance - Beginning of year	3,437,232	3,437,232	3,437,232	-
Fund Balance - End of year	\$ 3,799,679	\$ 3,799,679	\$ 3,447,496	\$ (352,183)

City of Southgate, Michigan

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Funds
 Major Street Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Intergovernmental	\$ 1,816,318	\$ 1,816,318	\$ 1,935,857	\$ 119,539
Interest income	10,000	10,000	45,757	35,757
Total revenue	1,826,318	1,826,318	1,981,614	155,296
Expenditures - Public works	677,000	677,000	405,633	271,367
Other Financing Uses - Transfer out	(454,079)	(454,079)	(483,964)	(29,885)
Net Change in Fund Balance	695,239	695,239	1,092,017	396,778
Fund Balance - Beginning of year	2,895,743	2,895,743	2,895,743	-
Fund Balance - End of year	<u>\$ 3,590,982</u>	<u>\$ 3,590,982</u>	<u>\$ 3,987,760</u>	<u>\$ 396,778</u>

City of Southgate, Michigan

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Funds (Continued)
 Local Street Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Intergovernmental	\$ 724,658	\$ 724,658	\$ 1,059,688	\$ 335,030
Rental and interest income	3,000	3,000	22,402	19,402
Total revenue	727,658	727,658	1,082,090	354,432
Expenditures - Public works	828,000	828,000	895,794	(67,794)
Other Financing Sources - Transfers in	454,079	454,079	483,964	29,885
Net Change in Fund Balance	353,737	353,737	670,260	316,523
Fund Balance - Beginning of year	3,004,687	3,004,687	3,004,687	-
Fund Balance - End of year	\$ 3,358,424	\$ 3,358,424	\$ 3,674,947	\$ 316,523

City of Southgate, Michigan

Required Supplemental Information

Budgetary Comparison Schedule - Major Special Revenue Funds (Continued)

Southgate-Wyandotte Operation and Maintenance Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Special assessments	\$ 1,241,000	\$ 1,241,000	\$ 1,250,620	\$ 9,620
Interest income	-	-	88,177	88,177
Total revenue	1,241,000	1,241,000	1,338,797	97,797
Expenditures - Public works	2,965,392	2,965,392	843,332	2,122,060
Net Change in Fund Balance	(1,724,392)	(1,724,392)	495,465	2,219,857
Fund Balance - Beginning of year	5,847,450	5,847,450	5,847,450	-
Fund Balance - End of year	<u>\$ 4,123,058</u>	<u>\$ 4,123,058</u>	<u>\$ 6,342,915</u>	<u>\$ 2,219,857</u>

City of Southgate, Michigan

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Funds (Continued)
 Community Development Block Grant Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ 153,000	\$ 153,000	\$ 137,500	\$ (15,500)
Investment income	5	5	-	(5)
Total revenue	153,005	153,005	137,500	(15,505)
Expenditures - Public works	153,000	153,000	135,985	17,015
Net Change in Fund Balance	5	5	1,515	1,510
Fund Balance - Beginning of year	(1,515)	(1,515)	(1,515)	-
Fund Balance - End of year	<u><u>\$ (1,510)</u></u>	<u><u>\$ (1,510)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,510</u></u>

Required Supplemental Information
Schedule of Changes in the Net Pension Liability and Related Ratios
Municipal Employees' Retirement System

Last Six Fiscal Years

	2019	2018	2017	2016**	2015	2014*
Total Pension Liability						
Service cost	\$ 272,690	\$ 283,916	\$ 288,352	\$ 288,542	\$ 441,569	\$ 452,058
Interest	2,245,075	2,257,931	2,239,130	1,064,707	2,160,600	2,132,671
Differences between expected and actual experience	400,047	(498,621)	(166,169)	-	(269,570)	-
Changes in assumptions	-	-	-	(2,921,481)	1,959,499	-
Benefit payments, including refunds	(2,231,922)	(2,164,694)	(2,083,502)	(1,349,679)	(2,149,366)	(2,264,831)
Net Change in Total Pension Liability	685,890	(121,468)	277,811	(2,917,911)	2,142,732	319,898
Total Pension Liability - Beginning of year	29,043,059	29,164,527	28,886,716	31,804,627	29,661,895	29,341,997
Total Pension Liability - End of year	<u><u>\$ 29,728,949</u></u>	<u><u>\$ 29,043,059</u></u>	<u><u>\$ 29,164,527</u></u>	<u><u>\$ 28,886,716</u></u>	<u><u>\$ 31,804,627</u></u>	<u><u>\$ 29,661,895</u></u>
Plan Fiduciary Net Position						
Contributions - Employer	\$ 896,716	\$ 843,022	\$ 973,239	\$ 569,014	\$ 969,014	\$ 882,147
Contributions - Member	239,965	234,732	237,005	135,680	286,249	305,790
Net investment (loss) income	(755,459)	2,422,144	1,976,870	(311,386)	(284,404)	2,418,590
Administrative expenses	(38,188)	(38,445)	(39,037)	(71,346)	-	-
Benefit payments, including refunds	(2,231,922)	(2,164,694)	(2,083,502)	(1,349,679)	(2,149,366)	(2,264,831)
Net Change in Plan Fiduciary Net Position	(1,888,888)	1,296,759	1,064,575	(1,027,717)	(1,178,507)	1,341,696
Plan Fiduciary Net Position - Beginning of year	20,016,048	18,719,289	17,654,714	18,682,431	19,860,938	18,519,242
Plan Fiduciary Net Position - End of year	<u><u>\$ 18,127,160</u></u>	<u><u>\$ 20,016,048</u></u>	<u><u>\$ 18,719,289</u></u>	<u><u>\$ 17,654,714</u></u>	<u><u>\$ 18,682,431</u></u>	<u><u>\$ 19,860,938</u></u>
City's Net Pension Liability - Ending	<u><u>\$ 11,601,789</u></u>	<u><u>\$ 9,027,011</u></u>	<u><u>\$ 10,445,238</u></u>	<u><u>\$ 11,232,002</u></u>	<u><u>\$ 13,122,196</u></u>	<u><u>\$ 9,800,957</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	60.97 %	68.92 %	64.19 %	61.12 %	58.74 %	66.96 %
Covered Employee Payroll	\$ 2,216,994	\$ 2,362,882	\$ 2,350,053	\$ 2,351,603	\$ 2,380,521	\$ 2,501,902
City's Net Pension Liability as a Percentage of Covered Employee Payroll	523.31 %	382.03 %	444.47 %	477.63 %	551.23 %	391.74 %

*GASB 67 was implemented for FYE June 30, 2014 and does not require retroactive implementation. Data will be added as information is available until 10 years of such information is available.

**In FYE June 30, 2016, the City transferred the Municipal Employees' Retirement System Trust, a single-employer plan, into the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer plan. As a result, the measurement date of the liability changed from a June year end to a December year end to match the MERS plan year end.

Required Supplemental Information
Schedule of Changes in the Net Pension Liability and Related Ratios
Policemen and Firemen Retirement System

Last Six Fiscal Years

	2019	2018	2017	2016	2015	2014*
Total Pension Liability						
Service cost	\$ 1,016,409	\$ 984,577	\$ 979,925	\$ 1,005,271	\$ 1,093,031	\$ 1,058,512
Interest	5,166,786	5,101,773	4,979,248	4,915,376	4,844,541	4,771,821
Changes in benefit terms	-	-	-	(993,322)	-	-
Differences between expected and actual experience	421,080	255,597	(710,257)	1,155,057	273,660	-
Changes in assumptions	-	-	3,954,073	-	-	-
Benefit payments, including refunds	(5,649,110)	(5,273,158)	(5,178,850)	(5,257,307)	(5,188,467)	(4,567,523)
Net Change in Total Pension Liability	955,165	1,068,789	4,024,139	825,075	1,022,765	1,262,810
Total Pension Liability - Beginning of year	73,582,366	72,513,577	68,489,438	67,664,363	66,641,598	65,378,788
Total Pension Liability - End of year	\$ 74,537,531	\$ 73,582,366	\$ 72,513,577	\$ 68,489,438	\$ 67,664,363	\$ 66,641,598
Plan Fiduciary Net Position						
Contributions - Employer	\$ 4,328,200	\$ 4,321,173	\$ 3,244,840	\$ 2,580,266	\$ 2,604,211	\$ 2,649,082
Contributions - Member	369,558	327,018	377,556	337,603	331,809	359,953
Net investment income (loss)	968,564	4,156,120	5,173,828	(1,219,003)	(538,420)	6,412,966
Benefit payments, including refunds	(5,649,110)	(5,273,158)	(5,178,850)	(5,257,307)	(5,188,467)	(4,567,523)
Other	-	-	61,473	-	-	-
Net Change in Plan Fiduciary Net Position	17,212	3,531,153	3,678,847	(3,558,441)	(2,790,867)	4,854,478
Plan Fiduciary Net Position - Beginning of year	46,782,048	43,250,895	39,572,048	43,130,489	45,921,356	41,066,878
Plan Fiduciary Net Position - End of year	\$ 46,799,260	\$ 46,782,048	\$ 43,250,895	\$ 39,572,048	\$ 43,130,489	\$ 45,921,356
City's Net Pension Liability - Ending	\$ 27,738,271	\$ 26,800,318	\$ 29,262,682	\$ 28,917,390	\$ 24,533,874	\$ 20,720,242
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	62.79 %	63.58 %	59.65 %	57.78 %	63.74 %	68.91 %
Covered Employee Payroll	\$ 5,105,443	\$ 4,841,046	\$ 4,745,297	\$ 4,633,108	\$ 5,047,949	\$ 4,708,305
City's Net Pension Liability as a Percentage of Covered Employee Payroll	543.31 %	553.61 %	616.67 %	624.15 %	486.02 %	440.08 %

*GASB 67 was implemented for FYE June 30, 2014 and does not require retroactive implementation. Data will be added as information is available until 10 years of such information is available.

City of Southgate, Michigan

Required Supplemental Information Schedule of Pension Investment Returns Policemen and Firemen Retirement System

	Last Six Fiscal Years Years Ended June 30					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014*</u>
Annual money-weighted rate of return - Net of investment expense	1.38 %	11.97 %	12.62 %	(3.00)%	6.89 %	15.80 %

*GASB 67 was implemented for FYE June 30, 2014 and does not require retroactive implementation. Data will be added as information is available until 10 years of such information is available.

**Required Supplemental Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
Municipal Employees' Retiree Healthcare System**

	Last Three Fiscal Years		
	2019	2018	2017*
Total OPEB Liability			
Service cost	\$ 615,761	\$ 651,218	\$ 620,007
Interest	1,145,258	1,283,324	1,256,504
Changes in benefit terms	(207,212)	-	-
Differences between expected and actual experience	(50,687)	(5,151,351)	(215,429)
Changes in assumptions	2,519,868	(291,302)	-
Benefit payments, including refunds	(909,576)	(861,674)	(984,952)
Net Change in Total OPEB Liability	3,113,412	(4,369,785)	676,130
Total OPEB Liability - Beginning of year	31,783,860	36,153,645	35,477,515
Total OPEB Liability - End of year	<u>\$ 34,897,272</u>	<u>\$ 31,783,860</u>	<u>\$ 36,153,645</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 1,098,233	\$ 936,674	\$ 1,059,952
Net investment income	88,403	1,523	14,189
Benefit payments, including refunds	(909,576)	(861,674)	(984,952)
Other	(12,625)	(3,500)	(7,375)
Net Change in Plan Fiduciary Net Position	264,435	73,023	81,814
Plan Fiduciary Net Position - Beginning of year	2,812,124	2,739,101	2,657,287
Plan Fiduciary Net Position - End of year	<u>\$ 3,076,559</u>	<u>\$ 2,812,124</u>	<u>\$ 2,739,101</u>
Net OPEB Liability - Ending	<u>\$ 31,820,713</u>	<u>\$ 28,971,736</u>	<u>\$ 33,414,544</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	8.82 %	8.85 %	7.58 %
Covered Employee Payroll	\$ 2,471,693	\$ 2,380,737	\$ 2,387,488
Net OPEB Liability as a Percentage of Covered Employee Payroll	1,287.41 %	1,216.92 %	1,399.57 %

*GASB 74 was implemented for FYE June 30, 2017 and does not require retroactive implementation. Data will be added as information is available until 10 years of such information is available.

City of Southgate, Michigan

Required Supplemental Information
Schedule of OPEB Investment Returns
Municipal Employees' Retiree Healthcare System

	Last Three Fiscal Years		
	Years Ended June 30		
	<u>2019</u>	<u>2018</u>	<u>2017*</u>
Annual money-weighted rate of return - Net of investment expense	3.10 %	0.06 %	0.50 %

*GASB 74 was implemented for FYE June 30, 2017 and does not require retroactive implementation. Data will be added as information is available until 10 years of such information is available.

Required Supplemental Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
Policemen and Firemen Retiree Healthcare System

	Last Three Fiscal Years		
	2019	2018	2017*
Total OPEB Liability			
Service cost	\$ 1,424,070	\$ 1,409,376	\$ 1,375,918
Interest	1,910,366	2,061,757	2,007,629
Changes in benefit terms	(453,321)	-	-
Differences between expected and actual experience	365,270	(6,193,973)	(31,408)
Changes in assumptions	4,360,400	(495,961)	-
Benefit payments, including refunds	(1,952,040)	(1,909,038)	(1,787,754)
Net Change in Total OPEB Liability	5,654,745	(5,127,839)	1,564,385
Total OPEB Liability - Beginning of year	53,036,528	58,164,367	56,599,982
Total OPEB Liability - End of year	\$ 58,691,273	\$ 53,036,528	\$ 58,164,367
Plan Fiduciary Net Position			
Contributions - Employer	\$ 2,334,678	\$ 2,389,916	\$ 2,045,006
Net investment income	9,827	6,409	3,313
Benefit payments, including refunds	(1,952,040)	(1,909,038)	(1,787,754)
Other	(12,624)	(3,500)	-
Net Change in Plan Fiduciary Net Position	379,841	483,787	260,565
Plan Fiduciary Net Position - Beginning of year	2,217,192	1,733,405	1,472,840
Plan Fiduciary Net Position - End of year	\$ 2,597,033	\$ 2,217,192	\$ 1,733,405
Net OPEB Liability - Ending	\$ 56,094,240	\$ 50,819,336	\$ 56,430,962
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	4.42 %	4.18 %	2.98 %
Covered Payroll	\$ 5,074,234	\$ 4,918,780	\$ 5,051,311
Net OPEB Liability as a Percentage of Covered Payroll	1,105.47 %	1,033.17 %	1,117.15 %

*GASB 74 was implemented for FYE June 30, 2017 and does not require retroactive implementation. Data will be added as information is available until 10 years of such information is available.

Required Supplemental Information
Schedule of OPEB Investment Returns
Policemen and Firemen Retiree Healthcare System

**Last Three Fiscal Years
Years Ended June 30**

	<u>2019</u>	<u>2018</u>	<u>2017*</u>
Annual money-weighted rate of return - Net of investment expense	0.42 %	- %	- %

*GASB 74 was implemented for FYE June 30, 2017 and does not require retroactive implementation. Data will be added as information is available until 10 years of such information is available.

Budgetary Information

The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the "Uniform Budgeting Act"). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and special revenue funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

The City adopts its budget by budgetary center (activity/department), which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before 90 days prior to the commencement of the fiscal and budget year (July 1), the mayor shall prepare and submit to the City Council a complete itemized proposed budget for the next fiscal year.
2. A public hearing on the budget shall be held before its final adoption, at such time and place as the City Council shall direct, and notice of such public hearing shall be published at least one month in advance thereof by the clerk.
3. The City Council shall, on or before 30 days prior to the commencement of the next fiscal year, adopt a budget for the ensuing fiscal year.

Budget appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2019 has not been calculated. During the current year, the budget was amended in a legally permissible manner. A comparison of the budget with statements of actual revenue and expenditures, including budget variances, for the General Fund is presented as required supplemental information.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, with the following exceptions:

- Operating transfers have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)."
- Reimbursements from other funds have been included in revenue, rather than as a reduction of general government nondepartmental expenditures.

A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is as follows:

General Fund	Total Revenue	Total Expenditures	Change in Fund Balance
Amounts per operating statement	\$ 23,918,125	\$ 23,545,970	\$ (107,820)
Operating transfers budgeted as expenditures	-	479,975	-
Reimbursements from other funds	1,187,513	1,187,513	-
Severance Reserve Fund budgeted separately from the General Fund	-	(118,084)	118,084
Amounts per budget statement	<u>\$ 25,105,638</u>	<u>\$ 25,095,374</u>	<u>\$ 10,264</u>

June 30, 2019

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City of Southgate, Michigan incurred significant expenditures that were in excess of the amounts budgeted, as follows:

	Budget	Actual	Variance
General Fund:			
Finance	\$ 440,996	\$ 443,276	\$ (2,280)
Assessing	182,700	218,539	(35,839)
Attorney	151,500	156,360	(4,860)
Elections	24,750	34,728	(9,978)
Police	7,552,715	7,583,205	(30,490)
Fire	4,414,297	4,930,406	(516,109)
Sanitation	1,497,581	1,509,536	(11,955)
Planning	15,000	24,854	(9,854)
City Garage	556,320	573,677	(17,357)
Recreation	884,539	1,050,595	(166,056)
Cultural Commission	1,700	1,785	(85)
Local Street Fund - Public Works	828,000	895,794	(67,794)

These unfavorable variances in the General Fund and the Local Street Fund were caused by unanticipated expenditures that became necessary during the year.

Other Supplemental Information

City of Southgate, Michigan

	Special Revenue Funds			
	Street Paving	Narcotics Enforcement	Library	Indigent Defense
Assets				
Cash and investments	\$ 368,524	\$ 607,595	\$ 625,224	\$ 77,526
Receivables - Net	-	-	-	1,268
Due from component units	-	-	-	-
Advances to other funds	94,089	-	-	-
Prepays expenses	-	-	2,546	-
Total assets	\$ 462,613	\$ 607,595	\$ 627,770	\$ 78,794
Liabilities				
Accounts payable	\$ 233,594	\$ 14,644	\$ 14,077	\$ 4,794
Accrued liabilities and other	22,500	-	9,787	-
Unearned revenue	-	-	-	74,000
Total liabilities	256,094	14,644	23,864	78,794
Fund Balances				
Nonspendable:				
Prepays	-	-	2,546	-
Advance to other funds	94,089	-	-	-
Restricted:				
Roads	112,430	-	-	-
Narcotics enforcement	-	592,951	-	-
Debt service	-	-	-	-
Restricted donation	-	-	-	-
Library	-	-	601,360	-
District Court Capital Improvement	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Total fund balances	206,519	592,951	603,906	-
Total liabilities and fund balances	\$ 462,613	\$ 607,595	\$ 627,770	\$ 78,794

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2019

Debt Service Funds			Capital Project Funds			Total
SCI 541 Bond	Michigan Transportation Bond	Building Authority	Capital Improvement	District Court Capital Improvement		
\$ 4,963	\$ 108,556	\$ 145,424	\$ 894,699	\$ 52,039	\$ 2,884,550	
-	-	-	153,831	15,278	170,377	
-	-	-	45,056	-	45,056	
-	-	-	-	-	94,089	
-	-	-	-	-	2,546	
\$ 4,963	\$ 108,556	\$ 145,424	\$ 1,093,586	\$ 67,317	\$ 3,196,618	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 267,109	
-	-	-	-	-	32,287	
-	-	-	-	-	74,000	
-	-	-	-	-	373,396	
-	-	-	-	-	2,546	
-	-	-	-	-	94,089	
-	-	-	-	-	112,430	
-	-	-	-	-	592,951	
4,963	108,556	145,424	-	-	258,943	
-	-	-	153,831	-	153,831	
-	-	-	-	-	601,360	
-	-	-	-	67,317	67,317	
-	-	-	713,683	-	713,683	
-	-	-	226,072	-	226,072	
4,963	108,556	145,424	1,093,586	67,317	2,823,222	
\$ 4,963	\$ 108,556	\$ 145,424	\$ 1,093,586	\$ 67,317	\$ 3,196,618	

City of Southgate, Michigan

	Special Revenue Funds			
	Street Paving Fund	Narcotics Enforcement	Library	Indigent Defense Fund
Revenue				
Property taxes	\$ 1,256,006	\$ -	\$ 571,650	\$ -
Intergovernmental:				
Federal grants	-	343,539	-	-
State sources	-	39,210	40,139	76,397
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	2,888
Rental and interest income	85,794	17,636	15,729	-
Other revenue	-	-	17,539	-
Total revenue	1,341,800	400,385	645,057	79,285
Expenditures				
Current services:				
General government	-	-	-	-
28th District Court	-	-	-	79,285
Public safety	-	117,835	-	-
Public works	1,575,921	-	-	-
Recreation and culture - Library	-	-	505,277	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	1,575,921	117,835	505,277	79,285
Excess of Revenue (Under) Over Expenditures	(234,121)	282,550	139,780	-
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	(97,275)	-
Total other financing sources (uses)	-	-	(97,275)	-
Net Change in Fund Balances	(234,121)	282,550	42,505	-
Fund Balances - Beginning of year	440,640	310,401	561,401	-
Fund Balances - End of year	\$ 206,519	\$ 592,951	\$ 603,906	\$ -

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

Year Ended June 30, 2019

Debt Service Funds			Capital Project Funds			Total
SCI 541 Bond	Michigan Transportation Bond	Building Authority Fund	Capital Improvement Fund	District Court Capital Improvement		
\$ -	\$ -	\$ -	\$ -	\$ -	\$	1,827,656
-	-	-	-	-		343,539
-	-	-	-	-		155,746
-	-	-	-	140,372		140,372
-	-	-	-	-		2,888
-	-	-	32,887	-		152,046
-	-	664,375	153,831	-		835,745
-	-	664,375	186,718	140,372		3,457,992
-	-	500	-	-		500
-	-	-	-	-		79,285
-	-	-	-	-		117,835
-	-	-	-	-		1,575,921
-	-	-	-	-		505,277
-	-	-	106,874	114,000		220,874
-	-	910,000	-	-		910,000
-	-	155,950	-	-		155,950
-	-	1,066,450	106,874	114,000		3,565,642
-	-	(402,075)	79,844	26,372		(107,650)
-	-	402,250	-	-		402,250
-	-	-	-	-		(97,275)
-	-	402,250	-	-		304,975
-	-	175	79,844	26,372		197,325
4,963	108,556	145,249	1,013,742	40,945		2,625,897
\$ 4,963	\$ 108,556	\$ 145,424	\$ 1,093,586	\$ 67,317	\$	2,823,222

**Other Supplemental Information
Combining Statement of Fiduciary Net Position
Fiduciary Funds**

June 30, 2019

	Policemen and Firemen Retirement System	Municipal Employees' Retiree Health Care	Act 345 Health Insurance	Total Pension and OPEB Funds
Assets				
Cash and cash equivalents	\$ 3,413,264	\$ 899,234	\$ 2,325,774	\$ 6,638,272
Investments:				
Certificate of deposits	-	2,177,325	-	2,177,325
U.S. government securities	2,495	-	-	2,495
Stocks and mutual funds	34,982,495	-	-	34,982,495
Mortgage-backed securities	37,154	-	-	37,154
Alternative Investments	8,067,430	-	-	8,067,430
Receivables	383,641	-	149,499	533,140
Prepays expenses	-	-	122,803	122,803
	46,886,479	3,076,559	2,598,076	52,561,114
Liabilities - Accounts payable	87,219	-	1,043	88,262
Net Position	\$ 46,799,260	\$ 3,076,559	\$ 2,597,033	\$ 52,472,852

Other Supplemental Information
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year Ended June 30, 2019

	Policemen and Firemen Retirement System	Municipal Employees' Retiree Health Care	Act 345 Health Insurance	Total Pension and OPEB Funds
Additions				
Investment income:				
Interest and dividends	\$ 1,091,920	\$ 75,282	\$ 33,830	\$ 1,201,032
Net increase in fair value of investments	206,793	42,778	-	249,571
Investment-related expenses	(330,149)	-	-	(330,149)
Net investment income	968,564	118,060	33,830	1,120,454
Contributions:				
Employer	4,328,200	1,009,388	2,036,800	7,374,388
Employee	369,558	-	-	369,558
Total contributions	4,697,758	1,009,388	2,036,800	7,743,946
Total additions - Net	5,666,322	1,127,448	2,070,630	8,864,400
Deductions - Benefit payments	5,649,110	863,013	1,690,789	8,202,912
Net Increase in Net Position Held in Trust	17,212	264,435	379,841	661,488
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	46,782,048	2,812,124	2,217,192	51,811,364
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 46,799,260	\$ 3,076,559	\$ 2,597,033	\$ 52,472,852

Other Supplemental Information
 Combining Statement of Fiduciary Net Position
 Agency Funds

June 30, 2019

	Tax Collection	Senior Citizens' Trust	Escrow Fund	Total Agency Funds
Assets				
Cash and investments	\$ 166,659	\$ 67,481	\$ 1,141,085	\$ 1,375,225
Receivables	-	320	-	320
Total assets	<u>\$ 166,659</u>	<u>\$ 67,801</u>	<u>\$ 1,141,085</u>	<u>\$ 1,375,545</u>
Liabilities				
Due to other governmental units	\$ 166,659	-	\$ 153,831	\$ 320,490
Cash bonds and deposits	-	67,801	987,254	1,055,055
Total liabilities	<u>\$ 166,659</u>	<u>\$ 67,801</u>	<u>\$ 1,141,085</u>	<u>\$ 1,375,545</u>