
City of Southgate, Michigan

**Financial Report
with Supplemental Information
June 30, 2022**

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Independent Auditor's Report

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

Opinions

We have audited the 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, 2022 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying 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 as of June 30, 2022 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 City's net pension liability and related ratios, and city contributions; retiree healthcare system schedules of investment returns, changes in the City's OPEB liability, and employer contributions; and the budgetary comparison schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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. Such 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. The 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.



November 15, 2022

Our discussion and analysis of the City of Southgate, Michigan's 2022 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, 2022. 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, 2022:

- Property taxes are the City's single largest source of revenue. The City's taxable value for fiscal year 2022 was \$746,000,000, which represents an increase of \$18,000,000, or 2.5 percent.
- The City closely monitors discretionary spending by performing periodic budget adjustments. As a result, fund balance in the General Fund increased by \$804,299. The increase was primarily due to the receipt of approximately \$1.02 million in nonrecurring federal grants and the deferral of various expenses to the next fiscal year.
- The City continues to eliminate its outstanding debt in the governmental activities. The City has reduced its outstanding debt since 2009 by 82 percent. As a result, the outstanding debt for fiscal year 2022 is \$2,615,000.

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 and 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, 2022 compared to the prior year:

The City's Net Position

	Governmental Activities			
	2021	2022	Change	Percent Change
Assets				
Current and other assets	\$ 31,099,681	\$ 37,264,348	\$ 6,164,667	19.8
Capital assets	60,134,626	59,359,849	(774,777)	(1.3)
Total assets	91,234,307	96,624,197	5,389,890	5.9
Deferred Outflows of Resources	21,977,135	19,977,387	(1,999,748)	(9.1)
Liabilities				
Current liabilities	2,913,553	4,716,978	1,803,425	61.9
Long-term liabilities	128,057,054	106,813,580	(21,243,474)	(16.6)
Total liabilities	130,970,607	111,530,558	(19,440,049)	(14.8)
Deferred Inflows of Resources	15,022,516	27,867,090	12,844,574	85.5
Net Position (Deficit)				
Net investment in capital assets	56,964,260	56,854,035	(110,225)	(0.2)
Restricted	22,558,183	25,808,902	3,250,719	14.4
Unrestricted	(112,304,124)	(105,459,001)	6,845,123	(6.1)
Total net position (deficit)	<u>\$ (32,781,681)</u>	<u>\$ (22,796,064)</u>	<u>\$ 9,985,617</u>	(30.5)
Business-type Activities				
	2021	2022	Change	Percent Change
Assets				
Current and other assets	\$ 6,040,384	\$ 6,005,434	\$ (34,950)	(0.6)
Capital assets	41,894,859	41,578,542	(316,317)	(0.8)
Total assets	47,935,243	47,583,976	(351,267)	(0.7)
Deferred Outflows of Resources	884,923	392,563	(492,360)	(55.6)
Liabilities	22,418,331	19,453,572	(2,964,759)	(13.2)
Deferred Inflows of Resources	551,701	1,323,212	771,511	139.8
Net Position				
Net investment in capital assets	29,585,439	29,201,187	(384,252)	(1.3)
Restricted	1,082,021	1,856,028	774,007	71.5
Unrestricted	(4,817,326)	(3,857,460)	959,866	(19.9)
Total net position	<u>\$ 25,850,134</u>	<u>\$ 27,199,755</u>	<u>\$ 1,349,621</u>	5.2

The City's combined net position increased from a deficit of approximately \$6.9 million to approximately \$4.4 million, an increase of approximately \$11.3 million 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 \$10 million in governmental activities. Last fiscal year, the net position of the governmental activities increased by approximately \$2.3 million. The year-over-year change is primarily the result of decreases in OPEB expense related to changes in the OPEB liability primarily due to actuarial changes.

Business-type activities net position increased by approximately \$1.3 million. Business-type activities comprise approximately \$27.2 million of the total net position. The year-over-year change is primarily due to a decrease in OPEB-related expenses. Operating revenue and expenses remained consistent with the prior year.

Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, increased by approximately \$6.8 million for governmental activities and increased by approximately \$960,000 for business-type activities. The current level of unrestricted net position stands at a deficit of approximately \$105.5 million for governmental activities and a deficit of approximately \$3.9 million for business-type activities. Restricted net position for business-type activities totaled approximately \$1.9 million at June 30, 2022, which is consistent with 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 be used only for the specific purpose for which they were intended, such as expenditures for the Southgate-Wyandotte drain operation and maintenance, Public Act 345 pension expenses, street expenses, library services, recreation expenses, debt service, and narcotics enforcement.

The City's Changes in Net Position

	Governmental Activities			
	2021	2022	Change	Percent Change
Revenue				
Program revenue:				
Charges for services	\$ 4,134,534	\$ 4,809,949	\$ 675,415	16.3
Operating grants	5,379,378	5,994,214	614,836	11.4
Capital grants	134,186	631,634	497,448	370.7
General revenue:				
Taxes - Property taxes	19,219,195	20,208,324	989,129	5.1
State-shared revenue	3,739,818	4,199,458	459,640	12.3
Investment earnings	2,111	27,428	25,317	1,199.3
Other revenue	155,113	6,112	(149,001)	(96.1)
Total revenue	32,764,335	35,877,119	3,112,784	9.5
Expenses				
General government	6,255,290	3,249,944	(3,005,346)	(48.0)
28th District Court	1,334,143	1,391,668	57,525	4.3
Public safety	13,545,267	11,857,765	(1,687,502)	(12.5)
Public works	7,254,558	7,123,613	(130,945)	(1.8)
Recreation and culture	1,894,280	2,051,958	157,678	8.3
Interest on long-term debt	146,223	216,554	70,331	48.1
Total expenses	30,429,761	25,891,502	(4,538,259)	(14.9)
Change in Net Position	2,334,574	9,985,617	7,651,043	327.7
Net Position (Deficit) - Beginning of year	(35,116,255)	(32,781,681)	2,334,574	(6.6)
Net Position (Deficit) - End of year	\$ (32,781,681)	\$ (22,796,064)	\$ 9,985,617	(30.5)

Management's Discussion and Analysis (Continued)

	Business-type Activities			
	2021	2022	Change	Percent Change
Revenue				
Operating revenue	\$ 8,182,295	\$ 8,283,780	\$ 101,485	1.2
Nonoperating revenue:				
Property taxes	-	5,973	5,973	DIV/0
Investment earnings	53	2,400	2,347	4,428.3
Total revenue	8,182,348	8,292,153	109,805	1.3
Expenses				
Water and Sewer Fund	7,973,589	6,578,711	(1,394,878)	(17.5)
Golf Course Fund	320,702	363,821	43,119	13.4
Total expenses	8,294,291	6,942,532	(1,351,759)	(16.3)
Change in Net Position	(111,943)	1,349,621	1,461,564	(1,305.6)
Net Position - Beginning of year	25,962,077	25,850,134	(111,943)	(0.4)
Net Position - End of year	<u>\$ 25,850,134</u>	<u>\$ 27,199,755</u>	<u>\$ 1,349,621</u>	5.2

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 clubhouse 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 operating income of \$1,806,943, while the Golf Course Fund has operating loss of \$26,445. Excluding depreciation, the Water and Sewer Fund had operating income of \$3,017,468, while the Golf Course Fund had an operating loss of \$834.

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 and to show accountability for certain activities, such as special property tax millages. The City's major governmental funds for 2021 include the General Fund, the Major Street Fund, the Local Street 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 \$14,057,189 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 \$5,813,375, of total governmental fund balances. The General Fund's fund balance, which includes the Severance Reserve Fund, increased by \$804,299 from the prior year. The increase was primarily due to the receipt of approximately \$1.02 million in nonrecurring federal grants and the deferral of various expenses to the next fiscal year.

Fund balance of the Major Street Fund increased by \$1,288,200 from the prior year. The increase was primarily due to planned projects being deferred until the next fiscal year as a result of the pandemic.

Fund balance of the Local Street Fund increased by \$939,864 from the prior year. The increase was primarily due to planned projects being deferred until the next fiscal year as a result of the pandemic.

Fund balance of the Southgate-Wyandotte Operation and Maintenance Fund decreased by \$228,068 from the prior year.

General Fund Budgetary Highlights

During the current year, actual revenue exceeded expenditures by \$715,391. The City's departments overall were over budget by \$581,048, and revenue was over budget by \$722,056. The primary expenditure variances related increased pension costs. Overall, the General Fund's unassigned fund balance increased by \$429,288 in the current year, from \$907,219 a year ago to \$1,336,507 at June 30, 2022.

Capital Assets and Debt Administration

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

At the end of 2022, the City had approximately \$101 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, 2022 was approximately \$16 million. Of this amount, \$10.3 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 2022. We are in the process of evaluating the amount of increase that will be needed and will likely have a public hearing in 2022 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, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 34,378,203	\$ 559,092	\$ 34,937,295	\$ 1,576,636
Receivables:				
Property taxes receivable	7,761	-	7,761	-
Special assessments receivable	1,219,374	-	1,219,374	-
Customer receivables	-	2,567,626	2,567,626	-
Other receivables	209,817	-	209,817	4,654
Allowance for doubtful accounts	-	-	-	(66,372)
Due from other governments	1,292,186	-	1,292,186	69,372
Inventory	-	32,974	32,974	-
Prepaid expenses and other assets	157,007	19,047	176,054	-
Restricted assets (Note 8)	-	2,826,695	2,826,695	-
Capital assets: (Note 5)				
Assets not subject to depreciation	3,386,602	1,678,306	5,064,908	-
Assets subject to depreciation - Net	55,973,247	39,900,236	95,873,483	446,420
Total assets	96,624,197	47,583,976	144,208,173	2,030,710
Deferred Outflows of Resources				
Deferred charges on bond refunding	113,309	-	113,309	-
Deferred pension costs (Note 11)	9,803,654	295,121	10,098,775	-
Deferred OPEB costs (Note 12)	10,060,424	97,442	10,157,866	-
Total deferred outflows of resources	19,977,387	392,563	20,369,950	-
Liabilities				
Accounts payable	1,069,910	688,800	1,758,710	8,678
Due to other governmental units	3,549	-	3,549	-
Refundable deposits, bonds, etc.	838,691	-	838,691	-
Accrued liabilities and other	633,213	259,261	892,474	-
Unearned revenue	2,171,615	-	2,171,615	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	759,639	76,278	835,917	-
Provision for claims (Note 7)	21,000	-	21,000	-
Current portion of bonds and contracts payable (Note 7)	709,123	681,736	1,390,859	-
Due in more than one year:				
Compensated absences (Note 7)	1,410,755	62,409	1,473,164	-
Provision for claims (Note 7)	49,000	-	49,000	-
Net pension liability (Note 11)	42,231,448	2,518,762	44,750,210	-
Net OPEB liability (Note 12)	59,722,615	2,500,040	62,222,655	-
Bonds and contracts payable - Net of current portion (Note 7)	1,910,000	12,666,286	14,576,286	-
Total liabilities	111,530,558	19,453,572	130,984,130	8,678
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 11)	1,228,424	338,998	1,567,422	-
Deferred OPEB cost reductions (Note 12)	26,638,666	984,214	27,622,880	-
Total deferred inflows of resources	27,867,090	1,323,212	29,190,302	-

Statement of Net Position (Continued)

June 30, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position (Deficit)				
Net investment in capital assets	\$ 56,854,035	\$ 29,201,187	\$ 86,055,222	\$ 446,420
Restricted:				
Streets and highways	16,114,085	-	16,114,085	-
Building department	209,525	-	209,525	-
Debt service	9,782	1,002,990	1,012,772	-
Capital improvement	28,956	853,038	881,994	-
Police and fire retirement	233,496	-	233,496	-
Southgate-Wyandotte drain operation and maintenance	6,805,369	-	6,805,369	-
Library	587,814	-	587,814	-
Narcotics enforcement	659,204	-	659,204	-
Low-income housing	9,163	-	9,163	-
Parks and recreation	823,557	-	823,557	-
Rubbish	327,951	-	327,951	-
Unrestricted	(105,459,001)	(3,857,460)	(109,316,461)	1,575,612
Total net position (deficit)	\$ (22,796,064)	\$ 27,199,755	\$ 4,403,691	\$ 2,022,032

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	\$ 3,249,944	\$ 920,171	\$ 539,671	\$ 499,261
28th District Court	1,391,668	815,014	177,828	-
Public safety	11,857,765	135,265	1,274,040	132,373
Public works	7,123,613	2,334,283	3,257,573	-
Recreation and culture	2,051,958	605,216	745,102	-
Interest on long-term debt	216,554	-	-	-
Total governmental activities	<u>25,891,502</u>	<u>4,809,949</u>	<u>5,994,214</u>	<u>631,634</u>
Business-type activities:				
Water and Sewer Fund	6,578,711	7,946,404	-	-
Golf Course Fund	363,821	337,376	-	-
Total business-type activities	<u>6,942,532</u>	<u>8,283,780</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 32,834,034</u>	<u>\$ 13,093,729</u>	<u>\$ 5,994,214</u>	<u>\$ 631,634</u>
Component units:				
Tax Increment Financing Authority	\$ 711,841	\$ -	\$ -	\$ -
Downtown Development Authority	167,751	-	-	-
Southeastern Michigan Information Alliance	111,351	86,000	-	-
Total component units	<u>\$ 990,943</u>	<u>\$ 86,000</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
Unrestricted state-shared revenue				
Unrestricted investment income				
Gain on sale of capital assets				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position (Deficit) - Beginning of year				
Net Position (Deficit) - End of year				

Statement of Activities

Year Ended June 30, 2022

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,290,841)	\$ -	\$ (1,290,841)	\$ -
(398,826)	-	(398,826)	-
(10,316,087)	-	(10,316,087)	-
(1,531,757)	-	(1,531,757)	-
(701,640)	-	(701,640)	-
(216,554)	-	(216,554)	-
(14,455,705)	-	(14,455,705)	-
-	1,367,693	1,367,693	-
-	(26,445)	(26,445)	-
-	1,341,248	1,341,248	-
(14,455,705)	1,341,248	(13,114,457)	-
-	-	-	(711,841)
-	-	-	(167,751)
-	-	-	(25,351)
-	-	-	(904,943)
20,208,324	5,973	20,214,297	860,006
4,199,458	-	4,199,458	-
27,428	-	27,428	5,233
4,800	-	4,800	-
1,312	2,400	3,712	40,374
24,441,322	8,373	24,449,695	905,613
9,985,617	1,349,621	11,335,238	670
(32,781,681)	25,850,134	(6,931,547)	2,021,362
\$ (22,796,064)	\$ 27,199,755	\$ 4,403,691	\$ 2,022,032

City of Southgate, Michigan

	General Fund	Major Street Fund	Local Street Fund
Assets			
Cash and cash equivalents	\$ 9,945,724	\$ 6,940,325	\$ 6,400,331
Receivables:			
Property taxes receivable	7,761	-	-
Special assessments receivable	-	-	-
Other receivables	209,817	-	-
Due from other governments	782,088	363,069	139,600
Due from other funds (Note 6)	161,751	-	-
Prepaid expenses	150,733	-	-
	<u>\$ 11,257,874</u>	<u>\$ 7,303,394</u>	<u>\$ 6,539,931</u>
Total assets			
Liabilities			
Accounts payable	\$ 969,981	\$ 25,547	\$ 107
Due to other governmental units	-	-	-
Due to other funds (Note 6)	506,035	-	-
Refundable deposits, bonds, etc.	838,691	-	-
Accrued liabilities and other	361,925	-	-
Unearned revenue	2,021,974	-	-
	<u>4,698,606</u>	<u>25,547</u>	<u>107</u>
Total liabilities			
Deferred Inflows of Resources			
Unavailable revenue - State sources	683,836	-	-
Unavailable revenue - Other receivables and special assessments	62,057	-	-
	<u>745,893</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources			
Total liabilities and deferred inflows of resources	5,444,499	25,547	107
Fund Balances			
Nonspendable - Prepaids	150,733	-	-
Restricted:			
Roads	-	7,277,847	6,539,824
Police	-	-	-
Debt service	-	-	-
Unspent property tax proceeds - Rubbish	327,951	-	-
Unspent property tax proceeds - Police and fire pension	233,496	-	-
Low-income housing	9,163	-	-
Southgate-Wyandotte operation and maintenance	-	-	-
Library	-	-	-
District Court Capital Improvement	-	-	-
Parks and recreation	-	-	-
Building department	209,525	-	-
Committed (Note 9)	446,000	-	-
Assigned (Note 9)	3,100,000	-	-
Unassigned	1,336,507	-	-
	<u>5,813,375</u>	<u>7,277,847</u>	<u>6,539,824</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,257,874</u>	<u>\$ 7,303,394</u>	<u>\$ 6,539,931</u>

Governmental Funds
Balance Sheet

June 30, 2022

Southgate- Wyandotte Operation and Maintenance Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 5,613,839	\$ 5,476,798	\$ 34,377,017
-	-	7,761
1,219,374	-	1,219,374
-	-	209,817
-	7,429	1,292,186
-	-	161,751
4,705	1,569	157,007
\$ 6,837,918	\$ 5,485,796	\$ 37,424,913
\$ 10,798	\$ 47,649	\$ 1,054,082
-	3,549	3,549
21,751	-	527,786
-	-	838,691
-	26,471	388,396
-	149,641	2,171,615
32,549	227,310	4,984,119
-	-	683,836
88,375	-	150,432
88,375	-	834,268
120,924	227,310	5,818,387
4,705	1,569	157,007
-	2,296,414	16,114,085
-	659,204	659,204
-	9,782	9,782
-	-	327,951
-	-	233,496
-	-	9,163
6,712,289	-	6,712,289
-	586,245	586,245
-	28,956	28,956
-	823,557	823,557
-	-	209,525
-	713,683	1,159,683
-	139,076	3,239,076
-	-	1,336,507
6,716,994	5,258,486	31,606,526
\$ 6,837,918	\$ 5,485,796	\$ 37,424,913

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2022

Fund Balances Reported in Governmental Funds	\$ 31,606,526
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	59,359,849
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	834,268
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(2,619,123)
Deferred charges on bond refundings are not amortized over the related bond terms and are not reported in the funds	113,309
Accrued interest is not due and payable in the current period and is not reported in the funds	(16,817)
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	(2,170,394)
Pension benefits	(42,231,448)
Retiree health care benefits	(59,722,615)
Deferred inflows of resources related to pension are not reported in the funds	(1,228,424)
Deferred outflows of resources related to pension are not reported in the funds	9,803,654
Deferred inflows of resources related to OPEB are not reported in the funds	(26,638,666)
Deferred outflows of resources related to OPEB are not reported in the funds	10,060,424
Other long-term liabilities, such as claims and judgments, landfill closure and post-closure 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	123,393
Net Position (Deficit) of Governmental Activities	<u><u>\$ (22,796,064)</u></u>

City of Southgate, Michigan

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>
Revenue			
Taxes	\$ 17,448,479	\$ -	\$ -
Special assessments	-	-	-
Intergovernmental:			
Federal grants	1,159,366	-	-
State sources	4,651,080	2,352,815	904,758
Charges for services	664,915	-	-
Fines and forfeitures	740,371	-	-
Licenses and permits	996,414	-	-
Interest and rentals	806,162	3,291	1,611
Other revenue	261,149	-	-
	<hr/>	<hr/>	<hr/>
Total revenue	26,727,936	2,356,106	906,369
Expenditures			
Current services:			
General government	5,422,816	-	-
28th District Court	1,265,936	-	-
Public safety	14,057,189	-	-
Public works	4,426,622	570,469	463,942
Recreation and culture	751,074	-	-
Capital outlay	-	-	-
Debt service	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	25,923,637	570,469	463,942
Excess of Revenue Over (Under) Expenditures	804,299	1,785,637	442,427
Other Financing Sources (Uses)			
Transfers in	-	-	497,437
Transfers out	-	(497,437)	-
	<hr/>	<hr/>	<hr/>
Total other financing (uses) sources	-	(497,437)	497,437
Net Change in Fund Balances	804,299	1,288,200	939,864
Fund Balances - Beginning of year	5,009,076	5,989,647	5,599,960
	<hr/>	<hr/>	<hr/>
Fund Balances - End of year	\$ 5,813,375	\$ 7,277,847	\$ 6,539,824

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2022

Southgate- Wyandotte Operation and Maintenance Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 2,759,845	\$ 20,208,324
1,365,045	-	1,365,045
-	232,348	1,391,714
-	261,021	8,169,674
-	70,870	735,785
-	2,543	742,914
-	-	996,414
6,343	10,937	828,344
-	681,709	942,858
1,371,388	4,019,273	35,381,072
-	-	5,422,816
-	134,647	1,400,583
-	102,956	14,160,145
1,599,456	191,502	7,251,991
-	543,602	1,294,676
-	584,497	584,497
-	880,636	880,636
1,599,456	2,437,840	30,995,344
(228,068)	1,581,433	4,385,728
-	101,075	598,512
-	(101,075)	(598,512)
-	-	-
(228,068)	1,581,433	4,385,728
6,945,062	3,677,053	27,220,798
\$ 6,716,994	\$ 5,258,486	\$ 31,606,526

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, 2022

Net Change in Fund Balances Reported in Governmental Funds	\$ 4,385,728
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	1,947,078
Depreciation expense	(3,221,117)
Contributed capital	499,261
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	(3,213)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	698,160
The change in deferred charges on bond refunding balance is recorded in the statement of activities	(33,608)
Interest expense is recognized in the government-wide statements as it accrues	4,473
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	5,734,599
Internal service funds are included as part of governmental activities	<u>(25,744)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 9,985,617</u></u>

Proprietary Funds
Statement of Net Position

June 30, 2022

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise - Golf Course	Total	Internal Service Fund - Workers' Compensation
Assets				
Current assets:				
Cash and cash equivalents	\$ 368,325	\$ 190,767	\$ 559,092	\$ 1,186
Customer receivables	2,564,826	2,800	2,567,626	-
Due from other funds (Note 6)	-	-	-	506,035
Inventory	32,974	-	32,974	-
Prepaid expenses and other assets	18,214	833	19,047	-
Total current assets	2,984,339	194,400	3,178,739	507,221
Noncurrent assets:				
Restricted assets (Note 8)	2,826,695	-	2,826,695	-
Capital assets: (Note 5)				
Assets not subject to depreciation	1,523,861	154,445	1,678,306	-
Assets subject to depreciation - Net	39,681,986	218,250	39,900,236	-
Total noncurrent assets	44,032,542	372,695	44,405,237	-
Total assets	47,016,881	567,095	47,583,976	507,221
Deferred Outflows of Resources				
Deferred pension costs (Note 11)	295,121	-	295,121	-
Deferred OPEB costs (Note 12)	97,442	-	97,442	-
Total deferred outflows of resources	392,563	-	392,563	-
Liabilities				
Current liabilities:				
Accounts payable	661,900	26,900	688,800	15,828
Due to other funds	-	-	-	140,000
Accrued liabilities and other	258,720	541	259,261	228,000
Compensated absences (Note 7)	76,278	-	76,278	-
Current portion of bonds and contracts payable (Note 7)	681,736	-	681,736	-
Total current liabilities	1,678,634	27,441	1,706,075	383,828
Noncurrent liabilities:				
Compensated absences (Note 7)	62,409	-	62,409	-
Net pension liability (Note 11)	2,518,762	-	2,518,762	-
Net OPEB liability (Note 12)	2,500,040	-	2,500,040	-
Bonds and contracts payable - Net of current portion (Note 7)	12,666,286	-	12,666,286	-
Total noncurrent liabilities	17,747,497	-	17,747,497	-
Total liabilities	19,426,131	27,441	19,453,572	383,828
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 11)	338,998	-	338,998	-
Deferred OPEB cost reductions (Note 12)	984,214	-	984,214	-
Total deferred inflows of resources	1,323,212	-	1,323,212	-
Net Position				
Net investment in capital assets	28,828,492	372,695	29,201,187	-
Restricted (Note 8)	1,856,028	-	1,856,028	-
Unrestricted	(4,024,419)	166,959	(3,857,460)	123,393
Total net position	\$ 26,660,101	\$ 539,654	\$ 27,199,755	\$ 123,393

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

Year Ended June 30, 2022

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise - Golf Course	Total	Internal Service Fund - Workers' Compensation
Operating Revenue				
Sale of water	\$ 3,239,192	\$ -	\$ 3,239,192	\$ -
Sewage disposal charges	3,580,517	-	3,580,517	-
Installation fees	853,038	-	853,038	-
Other	273,657	-	273,657	-
Greens fees and miscellaneous	-	337,376	337,376	-
Charges to other funds	-	-	-	160,000
Total operating revenue	7,946,404	337,376	8,283,780	160,000
Operating Expenses				
Cost of water	2,315,832	-	2,315,832	-
Cost of sewage treatment	1,602,128	-	1,602,128	-
Other operating and maintenance costs	281,057	338,210	619,267	-
Billing and administrative costs	729,919	-	729,919	-
Contractual services	-	-	-	185,744
Depreciation	1,210,525	25,611	1,236,136	-
Total operating expenses	6,139,461	363,821	6,503,282	185,744
Operating Income (Loss)	1,806,943	(26,445)	1,780,498	(25,744)
Nonoperating Revenue (Expense)				
Property tax revenue	5,973	-	5,973	-
Interest expense	(439,250)	-	(439,250)	-
Investment income	2,331	69	2,400	-
Total nonoperating (expense) revenue	(430,946)	69	(430,877)	-
Change in Net Position	1,375,997	(26,376)	1,349,621	(25,744)
Net Position - Beginning of year	25,284,104	566,030	25,850,134	149,137
Net Position - End of year	\$ 26,660,101	\$ 539,654	\$ 27,199,755	\$ 123,393

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2022

	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	\$ 7,712,171	\$ 334,576	\$ 8,046,747	\$ -
Receipts from interfund services and reimbursements	-	-	-	160,000
Payments to suppliers	(5,517,100)	(314,733)	(5,831,833)	-
Payments to employees and fringes	(1,185,114)	-	(1,185,114)	-
Internal activity - Payments to other funds	(115,000)	-	(115,000)	-
Claims paid	-	-	-	(180,154)
Net cash and cash equivalents provided by (used in) operating activities	894,957	19,843	914,800	(20,154)
Cash Flows from Capital and Related Financing Activities				
Property taxes restricted for capital items	5,973	-	5,973	-
Purchase of capital assets	(128,282)	-	(128,282)	-
Principal and interest paid on capital debt	(1,065,403)	-	(1,065,403)	-
Net cash and cash equivalents used in capital and related financing activities	(1,187,712)	-	(1,187,712)	-
Cash Flows Provided by Investing Activities -				
Interest received on investments	2,331	69	2,400	-
Net (Decrease) Increase in Cash and Cash Equivalents	(290,424)	19,912	(270,512)	(20,154)
Cash and Cash Equivalents - Beginning of year	3,485,444	170,855	3,656,299	21,340
Cash and Cash Equivalents - End of year	\$ 3,195,020	\$ 190,767	\$ 3,385,787	\$ 1,186
Classification of Cash and Cash Equivalents				
Cash and investments	\$ 368,325	\$ 190,767	\$ 559,092	\$ 1,186
Restricted cash	2,826,695	-	2,826,695	-
Total cash and cash equivalents	\$ 3,195,020	\$ 190,767	\$ 3,385,787	\$ 1,186

Proprietary Funds
Statement of Cash Flows (Continued)

Year Ended June 30, 2022

	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)	\$ 1,806,943	\$ (26,445)	\$ 1,780,498	\$ (25,744)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	1,210,525	25,611	1,236,136	-
Changes in assets and liabilities:				
Receivables	(234,233)	(2,800)	(237,033)	-
Prepaid and other assets	1,471	-	1,471	-
Accounts payable	(184,304)	23,477	(160,827)	-
Estimated claims liability	-	-	-	5,590
Net pension or OPEB liability	(2,935,467)	-	(2,935,467)	-
Deferrals related to pension or OPEB	1,263,871	-	1,263,871	-
Accrued and other liabilities	(33,849)	-	(33,849)	-
Total adjustments	(911,986)	46,288	(865,698)	5,590
Net cash and cash equivalents provided by (used in) operating activities	<u>\$ 894,957</u>	<u>\$ 19,843</u>	<u>\$ 914,800</u>	<u>\$ (20,154)</u>

Noncash Capital and Related Financing Activities - During the current year, debt was issued on behalf of the City in the amount \$791,537 for construction related to the Downriver Utility Wastewater System. There was also a decrease in the City's debt of \$92,043 due to a decrease in the City's allocation of the Downriver Utility Wastewater System debt due to a decrease in the City's sewage flow compared to the total sewage flow of the system.

**Fiduciary Funds
Statement of Fiduciary Net Position**

June 30, 2022

	<u>Pension and Other Employee Benefit Trust Funds</u>	<u>Custodial Funds</u>	<u>Total Fiduciary Funds</u>
Assets			
Cash and cash equivalents	\$ 6,925,455	\$ 77,971	\$ 7,003,426
Investments:			
Certificates of deposit	2,200,011	-	2,200,011
U.S. government securities	1,277,524	-	1,277,524
Stocks and mutual funds	36,349,363	-	36,349,363
Mortgage-backed securities	11,505	-	11,505
Alternative investments	11,658,079	-	11,658,079
Receivables - Net:			
Accrued interest receivable	711	-	711
Other receivables	41,277	320	41,597
Prepaid expenses and other assets	104,875	-	104,875
Total assets	58,568,800	78,291	58,647,091
Liabilities - Due to other governmental units	-	78,291	78,291
Net Position - Restricted			
Pension	51,247,293	-	51,247,293
Postemployment benefits other than pension	7,321,507	-	7,321,507
Total net position	\$ 58,568,800	\$ -	\$ 58,568,800

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2022

	Pension and Other Employee Benefit Trust Funds	Custodial Funds	Total Fiduciary Funds
Additions			
Investment income (loss):			
Interest and dividends	\$ 1,396,889	\$ -	\$ 1,396,889
Net decrease in fair value of investments	(7,034,601)	-	(7,034,601)
Investment costs	(291,849)	-	(291,849)
Net investment loss	(5,929,561)	-	(5,929,561)
Contributions:			
Employer contributions	8,902,743	-	8,902,743
Employee contributions	380,585	-	380,585
Total contributions	9,283,328	-	9,283,328
Property tax collections	-	27,334,067	27,334,067
Collections for benefit of Senior Citizens' Trust	-	24,182	24,182
Total additions	3,353,767	27,358,249	30,712,016
Deductions			
Benefit payments	8,412,176	-	8,412,176
Tax distributions to other governments	-	27,334,067	27,334,067
Disbursements from Senior Citizens' Trust	-	78,621	78,621
Total deductions	8,412,176	27,412,688	35,824,864
Net Decrease in Fiduciary Net Position	(5,058,409)	(54,439)	(5,112,848)
Net Position - Beginning of year	63,627,209	54,439	63,681,648
Net Position - End of year	\$ 58,568,800	\$ -	\$ 58,568,800

City of Southgate, Michigan

**Component Units
Statement of Net Position**

June 30, 2022

	Tax Increment Financing Authority	Downtown Development Authority	Southeastern Michigan Information Alliance	Total
Assets				
Cash and cash equivalents	\$ 1,323,344	\$ 227,680	\$ 25,612	\$ 1,576,636
Due from other governmental units	-	4,654	3,000	7,654
Capital assets - Net (Note 5)	-	446,420	-	446,420
Total assets	1,323,344	678,754	28,612	2,030,710
Liabilities - Accounts payable	-	8,678	-	8,678
Net Position				
Net investment in capital assets	-	446,420	-	446,420
Unrestricted	1,323,344	223,656	28,612	1,575,612
Total net position	\$ 1,323,344	\$ 670,076	\$ 28,612	\$ 2,022,032

City of Southgate, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Tax Increment Financing Authority	\$ 711,841	\$ -	\$ -	\$ -
Downtown Development Authority	167,751	-	-	-
Southeastern Michigan Information Alliance	111,351	86,000	-	-
Total component units	<u>\$ 990,943</u>	<u>\$ 86,000</u>	<u>\$ -</u>	<u>\$ -</u>

General revenue:

Taxes

Investment income

Other miscellaneous income

Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Component Units
Statement of Activities

Year Ended June 30, 2022

Net (Expense) Revenue and Changes in Net Position			
Tax Increment Financing Authority	Downtown Development Authority	Southeastern Michigan Information Alliance	Total
\$ (711,841)	\$ -	\$ -	\$ (711,841)
-	(167,751)	-	(167,751)
-	-	(25,351)	(25,351)
(711,841)	(167,751)	(25,351)	(904,943)
707,504	152,502	-	860,006
3,943	1,269	21	5,233
-	40,374	-	40,374
711,447	194,145	21	905,613
(394)	26,394	(25,330)	670
1,323,738	643,682	53,942	2,021,362
\$ 1,323,344	\$ 670,076	\$ 28,612	\$ 2,022,032

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, 2022, the Fun and Fitness Center future debt service is broken down into \$2,515,000 of principal payments and \$165,490 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 9 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 the SMIA. In addition, the SMIA's budget is subject to approval by the City.

Note 1 - Significant Accounting Policies (Continued)

Policemen and Firemen Retirement System

The Policemen and Firemen Retirement System provides pension benefits for certain police and fire personnel. 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 the City Council to be selected by the City Council; a resident who is an elector of the City appointed by the 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. The financial statements of the Policemen and Firemen Retirement System are included in these financial statements as a pension trust fund (a fiduciary fund).

Municipal Employees' Retiree Healthcare System and the Policemen and Firemen Retiree Healthcare System

The Municipal Employees' Retiree Healthcare System and the Policemen and Firemen Retiree Healthcare System provide health care, dental, and vision benefits for eligible retirees. Management of the Municipal Employees' Retiree Healthcare System plan is vested in the City Council, which consists of seven elected members. Management of the Policemen and Firemen Retiree Healthcare System is vested by the Policemen and Firemen Retiree Healthcare System Board. The financial statements of both systems are included in these financial statements as an other employee benefit trust fund (a fiduciary fund).

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), as 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.

Note 1 - Significant Accounting Policies (Continued)

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 health care-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.

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 amounts, 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 projects 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.

Note 1 - Significant Accounting Policies (Continued)

- 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 fund as a major enterprise fund:

- Water and Sewer Fund - The Water and Sewer Fund (an enterprise fund) accounts for the activities of the water distribution system and sewage collection system.
- 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 Healthcare System, and Act 345 Health Insurance, which accumulate resources for pension benefit payments and postemployment health care costs to qualified police and fire and municipal retirees.
- Custodial Funds - The custodial funds account for assets held by the City in a trustee capacity or as a custodian for individuals, organizations, and other governments. This includes the taxes collected on behalf of other taxing authorities and assets held in the Senior Citizens' Trust.

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.

Note 1 - Significant Accounting Policies (Continued)

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 an 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.

Restricted Assets

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

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
	<hr/>
Infrastructure	30-50
Water and sewer distribution systems	50
Buildings and building improvements	50
Vehicles	5-10
Equipment and machinery	10-20

Note 1 - Significant Accounting Policies (Continued)

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 bond 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 is used to liquidate proprietary fund long-term obligations.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet 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.

Note 1 - Significant Accounting Policies (Continued)

In addition to liabilities, the statement of net position and/or balance sheet 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 reported only 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 in which the amounts become available. The second type of deferred inflows relates to differences between projected and actual earnings on pension plan and OPEB plan investments. This amount is deferred and amortized over five years. 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.

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.

Note 1 - Significant Accounting Policies (Continued)

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 City 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 exist only 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 either to 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 2021 property tax revenue was levied and collectible on July 1, 2021 and is recognized as revenue in the year ended June 30, 2022 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2022 taxable valuation of the City totaled approximately \$746 million (a portion of which is abated and a portion of which is captured by the Authority and the DDA), on which taxes levied consisted of 10.1022 mills for the City's operating purposes, 2.4242 mills for refuse, 10.3360 mills for Act 345 police and fire retirement, 0.8800 mills for the library's operating purposes, 1.9268 mills for road construction, 0.0650 mills for Act 359, and 0.9966 mills for parks and recreation. Prior to the Downtown Development Authority and Tax Increment Finance Authority tax captures, the ad valorem taxes levied raised approximately \$7,528,000 for operations, \$1,807,000 for refuse, \$7,703,000 for police and fire retirement, \$656,000 for the library's operations, \$1,436,000 for road construction, \$48,000 for Act 359, and \$743,000 for parks and recreation millage. In the current year, the City executed a sharing agreement with the Downtown Development Authority and Tax Increment Finance Authority in which the DDA and the Authority agreed to forgo their allowable captures. In 2022, this amounted to \$76,157 and \$348,898 in forgone captures for the DDA and the Authority, 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.

Note 1 - Significant Accounting Policies (Continued)

Other Postemployment Benefits

The City offers retiree health care 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.

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 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, 2023 fiscal year.

Note 1 - Significant Accounting Policies (Continued)

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments; deferred inflows of resources; and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets and, when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2023.

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. 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, 2023.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, *Accounting Changes and Error Corrections*, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2024.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2025.

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 surplus at July 1, 2021	\$ 158,972
Current year permit revenue	819,043
Related expenses:	
Direct costs	(605,390)
Indirect costs	(75,499)
	<u>138,154</u>
Current year surplus	<u>138,154</u>
Cumulative surplus at June 30, 2022	<u>\$ 297,126</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act (PA) 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 no 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 health care 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.

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 bank deposits of \$42,470,000 (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 bank deposits of approximately \$25,612, 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 be purchased only with a 270-day maturity. The City's investment policy does not restrict investment maturities other than commercial paper, which can be purchased only with a 270-day maturity.

June 30, 2022

Note 3 - Deposits and Investments (Continued)

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	\$ 11,505	\$ -	\$ -	\$ 11,505
U.S. government securities	1,277,524	-	-	1,277,524
Corporate bonds	802,649	147,497	614,011	41,141
Total	<u>\$ 2,091,678</u>	<u>\$ 147,497</u>	<u>\$ 614,011</u>	<u>\$ 1,330,170</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, 2022, 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	\$ 11,505	Not rated	N/A
U.S. government securities	1,277,524	Not rated	N/A
Corporate bonds	68,980	A+	S&P
Corporate bonds	218,827	A-	S&P
Corporate bonds	65,436	AA	S&P
Corporate bonds	319,275	BBB+	S&P
Corporate bonds	130,131	BBB	S&P
Total	<u>\$ 2,091,678</u>		

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, 2022, the Policemen and Firemen Retirement System had multiple investments, which mostly consisted of pooled investments that exceed 5.00 percent of the total portfolio. The plan had 10.77 percent invested in Loomis Sayles Investment Grade Bond Fund, 6.90 percent invested in Vanguard FTSE Developing Markets Fund, 5.32 percent invested in Vanguard FTSE Emerging Markets Fund, and 8.61 percent invested in Kopernik Global All-Cap 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, and 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.

June 30, 2022

Note 4 - Fair Value Measurements (Continued)

In instances where 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.

The City has the following recurring fair value measurements as of June 30, 2022:

	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, 2022
Debt securities:				
Corporate bonds	\$ 802,649	\$ -	\$ -	\$ 802,649
Mortgage-backed securities	-	11,505	-	11,505
U.S. government securities	-	1,277,524	-	1,277,524
Mutual funds - Fixed income	7,397,840	-	-	7,397,840
Total debt securities	8,200,489	1,289,029	-	9,489,518
Equity securities:				
Stock	15,065,360	-	-	15,065,360
ETF - Equity	6,055,921	-	-	6,055,921
Mutual funds - Equity	7,027,593	-	-	7,027,593
Total equity securities	28,148,874	-	-	28,148,874
Private equity funds - Alternative investments	-	-	9,688,352	9,688,352
Total	\$ 36,349,363	\$ 1,289,029	\$ 9,688,352	47,326,744
Investments measured at NAV - External investment pools				1,969,727
Total assets				\$ 49,296,471

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, 2022 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 private equity funds at June 30, 2022 was determined primarily based on Level 3 inputs. The City estimates the fair value of these investments using the funds’ 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. At June 30, 2022, the total unfunded commitments on the private equity funds were \$4,281,854. 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.

June 30, 2022

Note 4 - Fair Value Measurements (Continued)

Investments in Entities that Calculate Net Asset Value per Share

The City holds shares or interests in investment companies where 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.

As of June 30, 2022, 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	\$ 1,969,727	\$ 345,629	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, 2021	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated - Land	\$ 3,386,602	\$ -	\$ -	\$ 3,386,602
Capital assets being depreciated:				
Infrastructure	90,756,148	626,988	-	91,383,136
Buildings and improvements	36,381,991	855,807	-	37,237,798
Machinery and equipment	10,149,120	200,435	-	10,349,555
Vehicles	4,133,741	93,094	-	4,226,835
Land improvements	3,166,411	670,016	-	3,836,427
Subtotal	144,587,411	2,446,340	-	147,033,751
Accumulated depreciation:				
Infrastructure	56,862,575	1,930,180	-	58,792,755
Buildings and improvements	17,129,590	753,762	-	17,883,352
Machinery and equipment	8,583,373	136,205	-	8,719,578
Vehicles	2,995,875	241,454	-	3,237,329
Land improvements	2,267,974	159,516	-	2,427,490
Subtotal	87,839,387	3,221,117	-	91,060,504
Net capital assets being depreciated	56,748,024	(774,777)	-	55,973,247
Net governmental activities capital assets	\$ 60,134,626	\$ (774,777)	\$ -	\$ 59,359,849

June 30, 2022

Note 5 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2021	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 169,445	\$ -	\$ -	\$ 169,445
Construction in progress	717,324	791,537	-	1,508,861
Subtotal	886,769	791,537	-	1,678,306
Capital assets being depreciated:				
Water and sewer lines	65,322,691	128,282	-	65,450,973
Buildings and improvements	938,581	-	-	938,581
Machinery and equipment	2,381,778	-	-	2,381,778
Vehicles	2,697,625	-	-	2,697,625
Land improvements	631,708	-	-	631,708
Subtotal	71,972,383	128,282	-	72,100,665
Accumulated depreciation:				
Water and sewer lines	25,961,857	1,057,720	-	27,019,577
Buildings and improvements	602,817	16,669	-	619,486
Machinery and equipment	1,930,287	28,155	-	1,958,442
Vehicles	2,031,927	115,944	-	2,147,871
Land improvements	437,405	17,648	-	455,053
Subtotal	30,964,293	1,236,136	-	32,200,429
Net capital assets being depreciated	41,008,090	(1,107,854)	-	39,900,236
Net business-type activities capital assets	<u>\$ 41,894,859</u>	<u>\$ (316,317)</u>	<u>\$ -</u>	<u>\$ 41,578,542</u>

Component Units

	Balance July 1, 2021	Additions	Disposals and Adjustments	Balance June 30, 2022
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	243,284	36,301	-	279,585
Subtotal	454,187	36,301	-	490,488
Net component units capital assets	<u>\$ 482,721</u>	<u>\$ (36,301)</u>	<u>\$ -</u>	<u>\$ 446,420</u>

June 30, 2022

Note 5 - Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 1,175,390
Public safety		286,148
Public works		1,058,027
Recreation and culture		638,084
District court		<u>63,468</u>
Total governmental activities		<u>\$ 3,221,117</u>
Business-type activities:		
Water and Sewer Fund		\$ 1,210,525
Golf Course Fund		<u>25,611</u>
Total business-type activities		<u>\$ 1,236,136</u>
Component unit activities - Downtown Development Authority		\$ 36,301

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Southgate-Wyandotte Operation and Maintenance Fund	\$ 21,751
	Internal Service Fund - Workers' Compensation	<u>140,000</u>
	Total General Fund	161,751
Internal service fund - Workers' Compensation Fund	General Fund	<u>506,035</u>
	Total	<u>\$ 667,786</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.

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
Major Street Fund	Local Street Fund	\$ 497,437
Nonmajor governmental funds	Nonmajor governmental funds	<u>101,075</u>
	Total	<u>\$ 598,512</u>

The transfer from the Major Street Fund to the Local Street Fund is the allowable transfer for Act 51 maintenance. The remaining transfers represent transfers of funds for debt service and to finance operations.

June 30, 2022

Note 7 - Long-term Debt

Long-term debt activity for the year ended June 30, 2022 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							
Maturing through 2021	4.98%	\$0	\$ 4,914	\$ -	\$ (4,914)	\$ -	\$ -
Other debt:							
Capital Improvement Refunding Bond Series 2015A:							
Original issue - \$2,400,000	2.00% -	\$100,000 -					
Maturing through 2023	3.00%	\$195,000	195,000	-	(95,000)	100,000	100,000
Capital Improvement Refunding Bond Series 2015B:							
Original issue - \$6,360,000		\$605,000 -					
Maturing through 2026	2.60%	\$650,000	3,105,000	-	(590,000)	2,515,000	605,000
Total other debt principal outstanding			3,300,000	-	(685,000)	2,615,000	705,000
Unamortized bond premiums			12,369	-	(8,246)	4,123	4,123
Total bonds and contracts payable			3,317,283	-	(698,160)	2,619,123	709,123
Compensated absences			2,143,462	777,145	(750,213)	2,170,394	759,639
Self-insurance claims			70,000	37,587	(37,587)	70,000	21,000
Total governmental activities long-term debt			\$ 5,530,745	\$ 814,732	\$ (1,485,960)	\$ 4,859,517	\$ 1,489,762

June 30, 2022

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 Maturing 2027-2043	1.65% -5.00%	\$257,500 - \$748,538	\$ 9,549,472	\$ 791,537	\$ (504,276)	\$ 9,836,733	\$ 457,032
Wayne County Downriver Sewage Disposal System bonds:							
Original issue - Various Maturing 2020-2028	2.00% - 5.45%	\$64,704 - \$264,795	502,912	-	(61,623)	441,289	64,704
Act 94 - Water and Sewer System revenue bonds - DWRF:							
Original issue - \$4,000,000 Maturing through 2039	2.50%	\$160,000 - \$230,000	3,225,000	-	(155,000)	3,070,000	160,000
Total bonds and contracts payable			13,277,384	791,537	(720,899)	13,348,022	681,736
Compensated absences			136,153	77,418	(74,884)	138,687	76,278
Total business-type activities long-term debt			<u>\$ 13,413,537</u>	<u>\$ 868,955</u>	<u>\$ (795,783)</u>	<u>\$ 13,486,709</u>	<u>\$ 758,014</u>

During the year ended June 30, 2022, the Downriver Utility Wastewater Authority (DUWA) continued work on major capital projects, including equipment replacement projects related to several deferred maintenance and critical long-term needs. The projects have costs of approximately \$36.4 million in total, which are being funded through DUWA reserves and through federal loan programs under the Water Infrastructure Finance and Innovation Act (WIFIA). The amounts due under WIFIA loans are allocated to the members of DUWA. As of June 30, 2022, DUWA had total draws of \$17,850,000 under the WIFIA loans, of which \$1,467,270 has been allocated to the City. The WIFIA loans are being repaid at an interest rate of 1.73 percent.

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, 2022

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	
2023	\$ -	\$ -	\$ 705,000	\$ 68,390	\$ 773,390	\$ 681,736	\$ 428,349	\$ 1,110,085
2024	-	-	620,000	49,660	669,660	986,491	407,402	1,393,893
2025	-	-	640,000	33,540	673,540	721,120	385,459	1,106,579
2026	-	-	650,000	16,900	666,900	744,271	363,027	1,107,298
2027	-	-	-	-	-	784,273	340,374	1,124,647
2028-2032	-	-	-	-	-	3,515,315	1,342,204	4,857,519
2033-2037	-	-	-	-	-	3,008,384	829,537	3,837,921
2038-2042	-	-	-	-	-	1,860,848	376,627	2,237,475
Thereafter	-	-	-	-	-	1,045,584	112,530	1,158,114
Total	\$ -	\$ -	\$ 2,615,000	\$ 168,490	\$ 2,783,490	\$ 13,348,022	\$ 4,585,509	\$ 17,933,531

Note 8 - Restricted Assets

A portion of the water and sewer user fees is 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 Downriver Sewage Disposal System bonds and to Downriver Utility Wastewater System bonds.

At June 30, 2022, restricted assets are composed of the following:

Capital improvement fees	\$ 853,038
Wayne County Downriver Sewage Disposal System bonds - Assets held at the county for future debt payments	1,002,990
Downriver Utility Wastewater System bonds - Assets held at DUWA for future debt payments	<u>970,667</u>
Total restricted assets	\$ <u>2,826,695</u>

Net position in the amount of \$1,856,028 has been restricted. This amount represents unspent capital fees and 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, 2022

Note 9 - Fund Balance Constraints

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

	General Fund	Capital Improvement Fund
Nonspendable - Prepaids	\$ 150,733	\$ -
Restricted:		
Unspent property tax proceeds - Rubbish	327,951	-
Unspent property tax proceeds - Police and fire pension	233,496	-
Low-income housing	9,163	-
Building department	209,525	-
Total restricted	780,135	-
Committed:		
County property tax chargebacks/MTT settlements	300,000	-
Computer software acquisition	10,000	-
Police cars	-	438,567
Property acquisition	-	115,116
Fire rescue equipment	-	160,000
SINC	136,000	-
Total committed	446,000	713,683
Assigned:		
Workers' compensation	400,000	-
Severance reserve	1,400,000	-
Future working capital	300,000	-
Future OPEB	400,000	-
Future budget shortfalls due to deficiencies in court revenue	600,000	-
Capital projects	-	139,076
Total assigned	3,100,000	139,076
Unassigned	1,336,507	-
Total nonspendable, restricted, committed, assigned, and unassigned fund balances	<u>\$ 5,813,375</u>	<u>\$ 852,759</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.

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 and those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	2022	2021
Unpaid claims - Beginning of year	\$ 298,000	\$ 298,000
Incurred claims, including claims incurred but not reported	(124,412)	54,178
Claim payments	124,412	(54,178)
Unpaid claims - End of year	<u>\$ 298,000</u>	<u>\$ 298,000</u>

Note 10 - Risk Management (Continued)

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.mersofmich.com or by 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 the City Council to be selected by the City Council; a resident who is an elector of the City appointed by the 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, with 70 percent of base wages after annuity withdrawal for all employees.

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 is 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, which 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.

Note 11 - Pension Plans (Continued)

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. Police members are eligible for service retirement at the age of 50 with 25 or more years of service or age 60 regardless of service. Fire members are eligible service retirement at any age with 25 or more years of service or age 60 with 10 or more years 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 a 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. For employees hired after July 1, 2008, there will be no annuity withdrawal. For both police (COA) and patrol hired before July 1, 2008, the annual benefits are 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. For members hired after July 1, 2008, the annual benefit is calculated the same as those hired before July 1, 2008, but the benefit is subject to a maximum annual benefit cap of \$70,000; however, FAC will not include sick time payout. For employees hired after July 1, 2008, there will be no annuity withdrawal. 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 is 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 a 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.

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 5 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.

June 30, 2022

Note 11 - Pension Plans (Continued)

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, 2021	June 30, 2022
Inactive plan members or beneficiaries currently receiving benefits	83	111
Inactive plan members entitled to but not yet receiving benefits	5	1
Active plan members	33	64
Total employees covered by the plan	121	176

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.

For the year ended June 30, 2022, the average employee contribution rate was 10.0 percent of annual pay, and the City's average contribution rate was 72.03 percent of annual payroll for the MERS plan. For the year ended June 30, 2022, the Policemen and Firemen Retirement System's average employee contribution rate was 7.50 percent of annual pay, and the City's average contribution rate was 98.31 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, 2021	June 30, 2022
Based on a comprehensive actuarial valuation as of	December 31, 2021	June 30, 2021

Note 11 - Pension Plans (Continued)

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, 2020	\$ 32,297,554	\$ 20,481,694	\$ 11,815,860
Changes for the year:			
Service cost	244,995	-	244,995
Interest	2,370,697	-	2,370,697
Differences between expected and actual experience	209,140	-	209,140
Changes in assumptions	1,157,472	-	1,157,472
Contributions - Employer	-	1,276,067	(1,276,067)
Contributions - Employee	-	208,904	(208,904)
Net investment income	-	2,699,277	(2,699,277)
Benefit payments, including refunds	(2,453,329)	(2,453,329)	-
Administrative expenses	-	(32,064)	32,064
Net changes	1,528,975	1,698,855	(169,880)
Balance at December 31, 2021	\$ 33,826,529	\$ 22,180,549	\$ 11,645,980

The plan's fiduciary net position represents 65.57 percent of the total pension liability.

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, 2021	\$ 80,095,244	\$ 56,996,971	\$ 23,098,273
Changes for the year:			
Service cost	1,086,656	-	1,086,656
Interest	5,431,123	-	5,431,123
Changes in benefits	1,958,653	-	1,958,653
Differences between expected and actual experience	1,882,062	-	1,882,062
Contributions - Employer	-	5,801,664	(5,801,664)
Contributions - Employee	-	380,585	(380,585)
Net investment loss	-	(5,829,712)	5,829,712
Benefit payments, including refunds	(6,102,215)	(6,102,215)	-
Net changes	4,256,279	(5,749,678)	10,005,957
Balance at June 30, 2022	\$ 84,351,523	\$ 51,247,293	\$ 33,104,230

The plan's fiduciary net position represents 60.75 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, 2022, the City recognized pension expense of \$1,889,699 and \$6,978,992 from the Municipal Employees' Retirement System and the Policemen and Firemen Retirement System, respectively.

June 30, 2022

Note 11 - Pension Plans (Continued)

At June 30, 2022, 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	\$ 104,570	\$ -	\$ 2,482,580	\$ -
Changes in assumptions	578,736	-	2,510,340	-
Net difference between projected and actual earnings on pension plan investments	-	(1,567,422)	3,741,305	-
Employer contributions to the plan subsequent to the measurement date	681,244	-	-	-
Total	\$ 1,364,550	\$ (1,567,422)	\$ 8,734,225	\$ -

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
2023	\$ 481,463	\$ 2,704,147
2024	(664,124)	2,170,193
2025	(465,321)	1,104,640
2026	(236,134)	2,629,657
2027	-	125,588

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%	2.25%
Salary increases (including inflation)	3.00%	3.00%
Investment rate of return (net of investment expenses)	7.00%	7.00%
Mortality rates	Pub-2010; PubG-2010*	Pub-2010**

*Municipal Employees' Retirement System mortality rates

Preretirement mortality:

- 100 percent of Pub-2010 Juvenile Mortality Tables for Ages 0-17
- 100 percent of PubG-2010 Employee Mortality Tables for Ages 18-80
- 100 percent of PubG-2010 Healthy Retiree Tables for Ages 81-120

Note 11 - Pension Plans (Continued)

Nondisabled retired plan members and beneficiaries:

- 106 percent of Pub-2010 Juvenile Mortality Tables for Ages 0-17
- 106 percent of PubG-2010 Employee Mortality Tables for Ages 18-49
- 106 percent of PubG-2010 Healthy Retiree Tables for Ages 50-120

Disabled retired plan members:

- 100 percent of Pub-2010 Juvenile Mortality Tables for Ages 0-17
- 100 percent of PubNS-2010 Disabled Retiree Tables for Ages 18-120

Future mortality improvements are assumed each year using scale MP-2019 applied fully generationally from the Pub-2010 base year of 2010.

The base mortality tables used are constructed as described below and are based on amount-weighted sex-distinct rates:

The actuarial assumptions used in the Municipal Employees' Retirement System December 31, 2021 valuation were based on the results of a five-year actuarial experience study from 2013 to 2018 dated February 17, 2022.

****Policemen and Firemen Retirement System mortality rates**

The mortality rates utilized are based upon the Pub-2010 Amount-Weighted, Safety tables, in conjunction with the MP-2020 Projection Scale on a fully generational basis. The tables used were as follows:

- Preretirement: The Pub-2010 Amount-Weighted, Safety, Employee, Male, and Female tables, with a base year of 2010 and future mortality improvements projected using scale MP-2020
- Healthy postretirement: The Pub-2010 Amount-Weighted, Safety, Healthy Retiree, Male, and Female tables, with a base year of 2010 and future mortality improvements projected using scale MP-2020
- Disability retirement: The Pub-2010 Amount-Weighted, Safety, Disabled Retiree, Male, and Female tables, with a base year of 2010 and future mortality improvements projected using scale MP-2020

The actuarial assumptions used in the Policemen and Firemen Retirement System June 30, 2021 valuation were based on the results of an actuarial experience study dated February 11, 2021.

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	7.25%	7.00%
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	7.25%	7.00%

Note 11 - Pension Plans (Continued)

Investment Rate of Return

Best estimates of arithmetic real rates of return as of the December 31, 2020 MERS measurement date and June 30, 2021 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	60.00 %	4.50 %
Global fixed income	20.00	2.00
Private investments	20.00	7.00

Policemen and Firemen Retirement System

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equities	38.00 %	6.14 %
International equities	22.50	4.94
Fixed income	15.00	1.54
Real estate	7.50	5.34
Absolute return/Hedge funds	5.00	2.94
Private equity	10.00	10.44
Cash or cash equivalents	2.00	0.74

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 7.25 percent for MERS and using the discounted rate of 7.00 percent for the 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 Percentage Point Decrease	Current Discount Rate	1 Percentage Point Increase
Net pension liability of the Municipal Employees' Retirement System	\$ 15,166,321	\$ 11,645,980	\$ 8,675,018
Net pension liability of the Policemen and Firemen Retirement System	42,118,853	33,104,230	25,526,598

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.mersofmich.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).

Note 11 - Pension Plans (Continued)

Assumption Changes

Municipal Employees' Retirement System

The investment rate of return was reduced from 7.35 percent in the prior year to 7.00 percent (7.60 percent to 7.25 percent when stated gross of administrative expenses) in the current year. The net impact of these changes was an increase to the total pension liability.

Policemen and Firemen Retirement System

In the current year, the actuarial assumptions did not change.

Benefit Changes

Policemen and Firemen Retirement System

Prior to the current year, fire members were eligible for service retirement at the age of 50 with 25 or more years of service or age 60 regardless of service. Effective for the current year, fire members are eligible service retirement at any age with 25 or more years of service or age 60 with 10 or more years of service.

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, 2022:

Asset Class	Target Allocation
Domestic equities	38.00 %
International equities	22.50
Fixed income	15.00
Real estate	7.50
Absolute return/Hedge fund	5.00
Private equity	10.00
Cash and cash equivalents	2.00
Total	100.00 %

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on Policemen and Firemen Retirement System investments, net of pension plan investment expense, was (9.81) 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.

June 30, 2022

Note 11 - Pension Plans (Continued)

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, 2022 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 47,197,231	\$ 47,197,231
Employee reserve	4,050,062	4,050,062
Employer reserve	-	-
Total	<u>\$ 51,247,293</u>	<u>\$ 51,247,293</u>

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 plans 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 health care, 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, respectively, were closed to new entrants.

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, 2021	June 30, 2021
Inactive plan members or beneficiaries currently receiving benefits	1	-
Inactive plan members entitled to but not yet receiving benefits	77	91
Active plan members	35	43
Total plan members	<u>113</u>	<u>134</u>

Note 12 - Other Postemployment Benefit Plans (Continued)

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, 2022, the City contributed \$2,145,821 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 health care 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 health care premiums of \$708,575, plus it contributed \$250,000 into a prefunded retiree health care fund, which is reported in these financial statements as a pension and other employee benefit trust fund type.

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.

	Municipal Employees' Retiree Healthcare System	Policemen and Firemen Retiree Healthcare System
Measurement date used for the City's net OPEB liability	June 30, 2022	June 30, 2022
Based on a comprehensive actuarial valuation as of	June 30, 2021	June 30, 2021

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)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2021	\$ 36,040,549	\$ 3,506,433	\$ 32,534,116
Changes for the year:			
Service cost	431,231	-	431,231
Interest	688,571	-	688,571
Differences between expected and actual experience	(5,795,427)	-	(5,795,427)
Changes in assumptions	(6,890,353)	-	(6,890,353)
Contributions - Employer*	-	1,032,871	(1,032,871)
Net investment loss	-	(99,849)	99,849
Benefit payments, including refunds*	(786,188)	(786,188)	-
Administrative expenses	-	(15,538)	15,538
Net changes	(12,352,166)	131,296	(12,483,462)
Balance at June 30, 2022	\$ 23,688,383	\$ 3,637,729	\$ 20,050,654

*Note that the contributions and benefit payments include implicit benefit payments of \$77,613 that were calculated by the actuary. The net effect of the implicit benefit payments to the plan net position is zero.

The plan's fiduciary net position represents 15.36 percent of the total OPEB liability.

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, 2021	\$ 66,156,134	\$ 3,123,805	\$ 63,032,329
Changes for the year:			
Service cost	1,342,736	-	1,342,736
Interest	1,265,094	-	1,265,094
Changes in benefits	670,021	-	670,021
Differences between expected and actual experience	(9,102,867)	-	(9,102,867)
Changes in assumptions	(12,600,915)	-	(12,600,915)
Contributions - Employer*	-	2,452,356	(2,452,356)
Benefit payments, including refunds*	(1,874,424)	(1,874,424)	-
Administrative expenses	-	(17,959)	17,959
Net changes	(20,300,355)	559,973	(20,860,328)
Balance at June 30, 2022	\$ 45,855,779	\$ 3,683,778	\$ 42,172,001

*Note that the contributions and benefit payments include implicit benefit payments of \$306,535 that were calculated by the actuary. The net effect of the implicit benefit payments to the plan net position is zero.

The plan's fiduciary net position represents 8.03 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, 2022, the City recognized an OPEB recovery of \$4,151,071 and \$1,413,643 from the Municipal Employees' Retiree Healthcare System and the Policemen and Firemen Retiree Healthcare System, respectively.

At June 30, 2022, 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	\$ -	\$ 3,104,867	\$ 271,439	\$ 11,420,050
Changes in assumptions	773,900	3,686,432	8,788,215	9,411,531
Net difference between projected and actual earnings on OPEB plan investments	180,030	-	144,282	-
Total	\$ 953,930	\$ 6,791,299	\$ 9,203,936	\$ 20,831,581

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
2023	\$ (5,078,887)	\$ (4,346,269)
2024	(841,499)	(3,639,939)
2025	49,139	(3,654,507)
2026	33,878	13,070
2027	-	-
Total	<u>\$ (5,837,369)</u>	<u>\$ (11,627,645)</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	2.50%	2.75%
Salary increases (including inflation)	3.00%	3.00%
Investment rate of return (net of investment expenses)	3.69%	3.69%
Health care cost trend rate	7.50% graded down to 3.5% after 10 years	7.50% graded down to 3.5% after 10 years
Mortality rates	A version of Pub-2010 with generational mortality improvement using scale MP-2019 (based on a pension experience study issued on February 14, 2020)	Pub-2010*

**Policemen and Firemen Retiree Healthcare System mortality rates*

The rates of mortality used for individual members are in accordance with the following tables:

- Preretirement: The Pub-2010 Amount-Weighted, Safety, Employee, Male, and Female tables, with a base year of 2010 and future mortality improvements projected using scale MP-2020
- Healthy postretirement: The Pub-2010 Amount-Weighted, Safety, Healthy Retiree, Male, and Female tables, with a base year of 2010 and future mortality improvements projected using scale MP-2020
- Disability retirement: The Pub-2010 Amount-Weighted, Safety, Disabled Retiree, Male, and Female tables, with a base year of 2010 and future mortality improvements projected using scale MP-2020

A total 95 percent of preretirement deaths are assumed to be nonduty related, and 5 percent are assumed to be duty related.

Note 12 - Other Postemployment Benefit Plans (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.69 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 3.69 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 to the municipal bond rate. The discount rate of 3.69 percent was applied to all remaining periods.

Investment Rate of Return

The investment rate of return was assumed to be 3.69 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 invest only in cash and certificates of deposit.

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 3.69 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 Percentage Point Decrease (2.69%)	Current Discount Rate (3.69%)	1 Percentage Point Increase (4.69%)
Net OPEB liability of the Municipal Employees' Retiree Healthcare System	\$ 23,991,382	\$ 20,050,654	\$ 16,911,244
Net OPEB liability of the Policemen and Firemen Retiree Healthcare System	49,925,670	42,172,001	36,061,068

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

The following presents the net OPEB liability of the City for each system, calculated using the health care cost trend rate of 7.50 percent, as well as what the City's net OPEB liability for each system would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.50%)	Current Health Care Cost Trend Rate (7.50%)	1 Percentage Point Increase (8.50%)
Net OPEB liability of the Municipal Employees' Retiree Healthcare System	\$ 16,697,260	\$ 20,050,654	\$ 24,277,939
Net OPEB liability of the Policemen and Firemen Retiree Healthcare System	35,454,765	42,172,001	50,808,898

Note 12 - Other Postemployment Benefit Plans (Continued)

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 increased in the current year to 3.69 percent. The net OPEB liability measured at June 30, 2021 was calculated using a discount rate and investment rate of return of 1.92 percent. This increase 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, increasing between June 30, 2021 and June 30, 2022.

As a result of these assumption changes, the total OPEB liability decreased by \$6,890,353 and \$12,600,915 for the Municipal Employees' Retiree Healthcare System and the 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 \$590,923 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 Utility Wastewater Authority. Previously, this sewer system was operated by Wayne County, Michigan and was known as 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 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 authority. The System's assets and all of the System's debt except for the judgment levy debt were transferred to DUWA. The judgment levy debt from the System still remains as an obligation of the County and will continue to be paid from the communities to the County.

The City's share of capital assets, restricted cash (for debt service), and related debt is recorded in the Water and Sewer Fund. For DUWA, the City paid \$1,602,128 for operations of the authority and paid \$748,680 for debt service. For the judgment levy debt, the City paid \$85,738 to the County 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, DUWA, can be obtained from the administrative offices at 25605 Northline Road, Taylor, MI 48180.

June 30, 2022

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, 2022, the City abated \$64,272 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.

Note 15 - Contingent Liabilities

On July 8, 2022, a class action lawsuit was filed against the City (the plaintiff has brought the same suit against numerous Act 345 municipalities) alleging excess taxes were assessed under PA 345 (the Michigan Fire Fighters and Police Officers Retirement Act). The plaintiff seeks a refund of what they believe to be excess taxes levied during the fiscal year ended June 30, 2022 and future periods. In the fiscal year ended June 30, 2022, the City levied 10.336 mills under PA 345, which imposed property taxes of approximately \$7.7 million, and the lawsuit alleges the levy exceeded the maximum allowed by approximately \$2.1 million. The City disagrees with these allegations and intends to vigorously defend this claim. The City has not recorded a liability related to this claim at June 30, 2022.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes	\$ 17,282,460	\$ 17,282,460	\$ 17,448,479	\$ 166,019
Reimbursements from other funds	1,205,359	1,205,359	1,228,715	23,356
Intergovernmental:				
Federal grants	-	1,521,649	1,159,366	(362,283)
State sources	3,795,477	3,795,477	4,651,080	855,603
Charges for services	634,400	634,400	664,915	30,515
Fines and forfeitures	1,336,000	1,336,000	740,371	(595,629)
Licenses and permits	729,250	729,250	996,414	267,164
Interest and rentals	660,000	660,000	806,162	146,162
Other revenue	70,000	70,000	261,149	191,149
Total revenue	25,712,946	27,234,595	27,956,651	722,056
Expenditures				
Current services:				
General government:				
City Council	38,558	38,558	38,373	185
Executive	259,705	259,705	278,757	(19,052)
Finance	493,463	493,463	508,406	(14,943)
Treasurer	241,918	241,918	250,444	(8,526)
Assessing	197,250	197,250	171,997	25,253
Clerk	165,158	165,158	168,084	(2,926)
Attorney	151,500	156,500	156,498	2
Elections	23,900	23,900	30,073	(6,173)
Civil Service Commission	500	500	300	200
Nondepartmental	3,429,802	3,507,714	4,388,511	(880,797)
28th District Court	1,317,763	1,343,514	1,265,936	77,578
Public safety:				
Police	8,611,411	8,703,366	8,370,108	333,258
Fire	4,958,008	5,007,808	5,140,683	(132,875)
Police reserves	5,040	5,040	2,107	2,933
Police and Fire Civil Service Commission	11,500	11,500	8,499	3,001
Building inspections and related	589,176	589,176	535,792	53,384
Public works:				
Public services	1,898,982	1,898,982	1,935,828	(36,846)
Sanitation	1,597,750	1,597,750	1,592,998	4,752
Planning	18,500	18,500	31,585	(13,085)
City Garage	612,086	1,279,086	1,415,567	(136,481)
Recreation and culture:				
Recreation	603,652	603,652	671,077	(67,425)
Senior Citizen Center	84,972	84,972	78,136	6,836
Cultural Commission	2,200	2,200	1,861	339
Transfer to other funds	400,000	430,000	200,000	230,000
Total expenditures	25,712,794	26,660,212	27,241,620	(581,408)
Net Change in Fund Balance	152	574,383	715,031	140,648
Fund Balance - Beginning of year	5,072,316	5,072,316	5,072,316	-
Fund Balance - End of year	\$ 5,072,468	\$ 5,646,699	\$ 5,787,347	\$ 140,648

City of Southgate, Michigan

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

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State sources - State gas and weight tax	\$ 2,238,208	\$ 2,238,208	\$ 2,352,815	\$ 114,607
Interest and rentals	100	100	3,291	3,191
Total revenue	2,238,308	2,238,308	2,356,106	117,798
Expenditures - Current services - Public works	973,000	973,000	570,469	402,531
Excess of Revenue Over Expenditures	1,265,308	1,265,308	1,785,637	520,329
Other Financing Uses - Transfers out	(559,552)	(559,552)	(497,437)	62,115
Net Change in Fund Balance	705,756	705,756	1,288,200	582,444
Fund Balance - Beginning of year	5,989,647	5,989,647	5,989,647	-
Fund Balance - End of year	<u>\$ 6,695,403</u>	<u>\$ 6,695,403</u>	<u>\$ 7,277,847</u>	<u>\$ 582,444</u>

City of Southgate, Michigan

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

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State sources - State gas and weight tax	\$ 892,401	\$ 892,401	\$ 904,758	\$ 12,357
Interest and rentals	100	100	1,611	1,511
Total revenue	892,501	892,501	906,369	13,868
Expenditures - Current services - Public works	719,000	719,000	463,942	255,058
Excess of Revenue Over Expenditures	173,501	173,501	442,427	268,926
Other Financing Sources - Transfers in	559,552	559,552	497,437	(62,115)
Net Change in Fund Balance	733,053	733,053	939,864	206,811
Fund Balance - Beginning of year	5,599,960	5,599,960	5,599,960	-
Fund Balance - End of year	<u>\$ 6,333,013</u>	<u>\$ 6,333,013</u>	<u>\$ 6,539,824</u>	<u>\$ 206,811</u>

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, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Special assessments	\$ 1,328,000	\$ 1,328,000	\$ 1,365,045	\$ 37,045
Interest and rentals	-	-	6,343	6,343
Total revenue	1,328,000	1,328,000	1,371,388	43,388
Expenditures - Current services - Public works	5,000,000	5,000,000	1,599,456	3,400,544
Net Change in Fund Balance	(3,672,000)	(3,672,000)	(228,068)	3,443,932
Fund Balance - Beginning of year	6,945,062	6,945,062	6,945,062	-
Fund Balance - End of year	<u><u>\$ 3,273,062</u></u>	<u><u>\$ 3,273,062</u></u>	<u><u>\$ 6,716,994</u></u>	<u><u>\$ 3,443,932</u></u>

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

Last Nine Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016**	2015	2014*
Total Pension Liability									
Service cost	\$ 244,995	\$ 258,060	\$ 275,494	\$ 272,690	\$ 283,916	\$ 288,352	\$ 288,542	\$ 441,569	\$ 452,058
Interest	2,370,697	2,267,117	2,296,014	2,245,075	2,257,931	2,239,130	1,064,707	2,160,600	2,132,671
Differences between expected and actual experience	209,140	47,392	116,296	400,047	(498,621)	(166,169)	-	(269,570)	-
Changes in assumptions	1,157,472	1,316,405	910,636	-	-	-	(2,921,481)	1,959,499	-
Benefit payments, including refunds	(2,453,329)	(2,585,748)	(2,333,061)	(2,231,922)	(2,164,694)	(2,083,502)	(1,349,679)	(2,149,366)	(2,264,831)
Net Change in Total Pension Liability	1,528,975	1,303,226	1,265,379	685,890	(121,468)	277,811	(2,917,911)	2,142,732	319,898
Total Pension Liability - Beginning of year	32,297,554	30,994,328	29,728,949	29,043,059	29,164,527	28,886,716	31,804,627	29,661,895	29,341,997
Total Pension Liability - End of year	\$ 33,826,529	\$ 32,297,554	\$ 30,994,328	\$ 29,728,949	\$ 29,043,059	\$ 29,164,527	\$ 28,886,716	\$ 31,804,627	\$ 29,661,895
Plan Fiduciary Net Position									
Contributions - Employer	\$ 1,276,067	\$ 1,048,404	\$ 903,422	\$ 896,716	\$ 843,022	\$ 973,239	\$ 569,014	\$ 969,014	\$ 882,147
Contributions - Member	208,904	219,694	226,881	239,965	234,732	237,005	135,680	286,249	305,790
Net investment income (loss)	2,699,277	2,559,512	2,394,428	(755,459)	2,422,144	1,976,870	(311,386)	(284,404)	2,418,590
Administrative expenses	(32,064)	(37,808)	(41,190)	(38,188)	(38,445)	(39,037)	(71,346)	-	-
Benefit payments, including refunds	(2,453,329)	(2,585,748)	(2,333,061)	(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	1,698,855	1,204,054	1,150,480	(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	20,481,694	19,277,640	18,127,160	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	\$ 22,180,549	\$ 20,481,694	\$ 19,277,640	\$ 18,127,160	\$ 20,016,048	\$ 18,719,289	\$ 17,654,714	\$ 18,682,431	\$ 19,860,938
City's Net Pension Liability - Ending	\$ 11,645,980	\$ 11,815,860	\$ 11,716,688	\$ 11,601,789	\$ 9,027,011	\$ 10,445,238	\$ 11,232,002	\$ 13,122,196	\$ 9,800,957
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	65.57 %	63.42 %	62.20 %	60.97 %	68.92 %	64.19 %	61.12 %	58.74 %	66.96 %
Covered Payroll	\$ 2,009,802	\$ 2,104,892	\$ 2,245,264	\$ 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 Payroll	579.46 %	561.35 %	521.84 %	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 Nine Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014*
Total Pension Liability									
Service cost	\$ 1,086,656	\$ 986,507	\$ 1,015,491	\$ 1,016,409	\$ 984,577	\$ 979,925	\$ 1,005,271	\$ 1,093,031	\$ 1,058,512
Interest	5,431,123	5,308,340	5,228,762	5,166,786	5,101,773	4,979,248	4,915,376	4,844,541	4,771,821
Changes in benefit terms	1,958,653	141,617	75,000	-	-	-	(993,322)	-	-
Differences between expected and actual experience	1,882,062	413,311	1,191,299	421,080	255,597	(710,257)	1,155,057	273,660	-
Changes in assumptions	-	3,994,255	-	-	-	3,954,073	-	-	-
Benefit payments, including refunds	(6,102,215)	(6,948,017)	(5,848,852)	(5,649,110)	(5,273,158)	(5,178,850)	(5,257,307)	(5,188,467)	(4,567,523)
Net Change in Total Pension Liability	4,256,279	3,896,013	1,661,700	955,165	1,068,789	4,024,139	825,075	1,022,765	1,262,810
Total Pension Liability - Beginning of year	80,095,244	76,199,231	74,537,531	73,582,366	72,513,577	68,489,438	67,664,363	66,641,598	65,378,788
Total Pension Liability - End of year	\$ 84,351,523	\$ 80,095,244	\$ 76,199,231	\$ 74,537,531	\$ 73,582,366	\$ 72,513,577	\$ 68,489,438	\$ 67,664,363	\$ 66,641,598
Plan Fiduciary Net Position									
Contributions - Employer	\$ 5,801,664	\$ 4,639,422	\$ 4,998,995	\$ 4,328,200	\$ 4,321,173	\$ 3,244,840	\$ 2,580,266	\$ 2,604,211	\$ 2,649,082
Contributions - Member	380,585	382,803	368,454	369,558	327,018	377,556	337,603	331,809	359,953
Net investment (loss) income	(5,829,712)	14,060,595	(1,455,689)	968,564	4,156,120	5,173,828	(1,219,003)	(538,420)	6,412,966
Benefit payments, including refunds	(6,102,215)	(6,948,017)	(5,848,852)	(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	(5,749,678)	12,134,803	(1,937,092)	17,212	3,531,153	3,678,847	(3,558,441)	(2,790,867)	4,854,478
Plan Fiduciary Net Position - Beginning of year	56,996,971	44,862,168	46,799,260	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	\$ 51,247,293	\$ 56,996,971	\$ 44,862,168	\$ 46,799,260	\$ 46,782,048	\$ 43,250,895	\$ 39,572,048	\$ 43,130,489	\$ 45,921,356
City's Net Pension Liability - Ending	\$ 33,104,230	\$ 23,098,273	\$ 31,337,063	\$ 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	60.75 %	71.16 %	58.87 %	62.79 %	63.58 %	59.65 %	57.78 %	63.74 %	68.91 %
Covered Payroll	\$ 5,086,232	\$ 4,984,183	\$ 5,266,008	\$ 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 Payroll	650.86 %	463.43 %	595.08 %	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.

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

	Last Nine Fiscal Years*								
	Years Ended June 30								
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<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	(9.81)%	33.58 %	(3.28)%	1.38 %	11.97 %	12.62 %	(3.04)%	(1.20)%	15.76 %

*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 Six Fiscal Years*					
	2022	2021	2020	2019	2018	2017*
Total OPEB Liability						
Service cost	\$ 431,231	\$ 405,046	\$ 503,825	\$ 615,761	\$ 651,218	\$ 620,007
Interest	688,571	794,021	1,086,320	1,145,258	1,283,324	1,256,504
Changes in benefit terms	-	-	-	(207,212)	-	-
Differences between expected and actual experience	(5,795,427)	(16,797)	(8,065,161)	(50,687)	(5,151,351)	(215,429)
Changes in assumptions	(6,890,353)	3,069,319	5,086,775	2,519,868	(291,302)	-
Benefit payments, including refunds	(786,188)	(835,092)	(884,979)	(909,576)	(861,674)	(984,952)
Net Change in Total OPEB Liability	(12,352,166)	3,416,497	(2,273,220)	3,113,412	(4,369,785)	676,130
Total OPEB Liability - Beginning of year	36,040,549	32,624,052	34,897,272	31,783,860	36,153,645	35,477,515
Total OPEB Liability - End of year	\$ 23,688,383	\$ 36,040,549	\$ 32,624,052	\$ 34,897,272	\$ 31,783,860	\$ 36,153,645
Plan Fiduciary Net Position						
Contributions - Employer	\$ 1,032,871	\$ 1,011,214	\$ 1,043,979	\$ 1,098,233	\$ 936,674	\$ 1,059,952
Net investment (loss) income	(99,849)	7,460	110,135	88,403	1,523	14,189
Benefit payments, including refunds	(786,188)	(835,092)	(884,979)	(909,576)	(861,674)	(984,952)
Other	(15,538)	(16,093)	(6,750)	(12,625)	(3,500)	(7,375)
Net Change in Plan Fiduciary Net Position	131,296	167,489	262,385	264,435	73,023	81,814
Plan Fiduciary Net Position - Beginning of year	3,506,433	3,338,944	3,076,559	2,812,124	2,739,101	2,657,287
Plan Fiduciary Net Position - End of year	\$ 3,637,729	\$ 3,506,433	\$ 3,338,944	\$ 3,076,559	\$ 2,812,124	\$ 2,739,101
Net OPEB Liability - Ending	\$ 20,050,654	\$ 32,534,116	\$ 29,285,108	\$ 31,820,713	\$ 28,971,736	\$ 33,414,544
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	15.36 %	9.73 %	10.23 %	8.82 %	8.85 %	7.58 %
Covered-employee Payroll	\$ 2,359,718	\$ 2,040,647	\$ 2,262,000	\$ 2,471,693	\$ 2,380,737	\$ 2,387,488
Net OPEB Liability as a Percentage of Covered-employee Payroll	849.71 %	1,594.30 %	1,294.66 %	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 Six Fiscal Years*					
	Years Ended June 30					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017*</u>
Annual money-weighted rate of return - Net of investment expense	(2.97)%	0.22 %	3.51 %	3.10 %	0.06 %	12.38 %

*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 Six Fiscal Years*					
	2022	2021	2020	2019	2018	2017*
Total OPEB Liability						
Service cost	\$ 1,342,736	\$ 1,356,976	\$ 1,002,406	\$ 1,424,070	\$ 1,409,376	\$ 1,375,918
Interest	1,265,094	1,408,479	1,821,354	1,910,366	2,061,757	2,007,629
Changes in benefit terms	670,021	-	-	(453,321)	-	-
Differences between expected and actual experience	(9,102,867)	277,494	(10,464,864)	365,270	(6,193,973)	(31,408)
Changes in assumptions	(12,600,915)	7,290,191	8,752,282	4,360,400	(495,961)	-
Benefit payments, including refunds	(1,874,424)	(1,974,953)	(2,004,504)	(1,952,040)	(1,909,038)	(1,787,754)
Net Change in Total OPEB Liability	(20,300,355)	8,358,187	(893,326)	5,654,745	(5,127,839)	1,564,385
Total OPEB Liability - Beginning of year	66,156,134	57,797,947	58,691,273	53,036,528	58,164,367	56,599,982
Total OPEB Liability - End of year	\$ 45,855,779	\$ 66,156,134	\$ 57,797,947	\$ 58,691,273	\$ 53,036,528	\$ 58,164,367
Plan Fiduciary Net Position						
Contributions - Employer	\$ 2,452,356	\$ 2,089,896	\$ 2,433,925	\$ 2,334,678	\$ 2,389,916	\$ 2,045,006
Net investment income	-	430	8,776	9,827	6,409	3,313
Administrative expenses	(17,959)	(17,549)	(9,249)	-	-	-
Benefit payments, including refunds	(1,874,424)	(1,974,953)	(2,004,504)	(1,952,040)	(1,909,038)	(1,787,754)
Other	-	-	-	(12,624)	(3,500)	-
Net Change in Plan Fiduciary Net Position	559,973	97,824	428,948	379,841	483,787	260,565
Plan Fiduciary Net Position - Beginning of year	3,123,805	3,025,981	2,597,033	2,217,192	1,733,405	1,472,840
Plan Fiduciary Net Position - End of year	\$ 3,683,778	\$ 3,123,805	\$ 3,025,981	\$ 2,597,033	\$ 2,217,192	\$ 1,733,405
Net OPEB Liability - Ending	\$ 42,172,001	\$ 63,032,329	\$ 54,771,966	\$ 56,094,240	\$ 50,819,336	\$ 56,430,962
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	8.03 %	4.72 %	5.24 %	4.42 %	4.18 %	2.98 %
Covered-employee Payroll	\$ 4,197,506	\$ 4,703,250	\$ 5,180,677	\$ 5,074,234	\$ 4,918,780	\$ 5,051,311
Net OPEB Liability as a Percentage of Covered-employee Payroll	1,004.69 %	1,340.19 %	1,057.24 %	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.

City of Southgate, Michigan

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

	Last Five Fiscal Years*				
	Years Ended June 30				
	<u>2022</u>	<u>2021</u>	<u>2019</u>	<u>2018</u>	<u>2017*</u>
Annual money-weighted rate of return - Net of investment expense	0.43 %	(4.19)%	0.31 %	0.42 %	(0.33)%

*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, 2020 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	\$ 26,727,936	\$ 25,923,637	\$ 804,299
Reimbursements from other funds	1,228,715	1,228,715	-
Severance Reserve Fund budgeted separately from the General Fund	-	89,268	(89,268)
Amounts per budget statement	<u>\$ 27,956,651</u>	<u>\$ 27,241,620</u>	<u>\$ 715,031</u>

June 30, 2022

Excess of Expenditures Over Appropriated 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:			
Executive	\$ 259,705	\$ 278,757	\$ (19,052)
Finance	493,463	508,406	(14,943)
Treasurer	241,918	250,444	(8,526)
Clerk	165,158	168,084	(2,926)
Elections	23,900	30,073	(6,173)
Nondepartmental	3,507,714	4,388,151	(880,437)
Fire	5,007,808	5,140,683	(132,875)
Public services	1,898,982	1,935,828	(36,846)
Planning	18,500	31,585	(13,085)
City Garage	1,279,086	1,415,567	(136,481)
Recreation	603,652	671,077	(67,425)

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

Pension Information

Benefit Changes

Policemen and Firemen Retirement System

June 30, 2022 - Prior to the current year, fire members were eligible for service retirement at the age of 50 with 25 or more years of service or age 60 regardless of years of service. Effective for June 30, 2022, fire members are eligible service retirement at any age with 25 or more years of service or age 60 with 10 or more years of service.

Changes in Assumptions

Municipal Employees' Retirement System

June 30, 2021 - A five-year experience study analyzing historical experience from 2013 through 2018 was completed in February 2020. The experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates. The net impact of these changes is reflected as a change in assumptions.

June 30, 2017 - For the June 30, 2016 actuarial report, there was a change to the assumed investment rate of return. Prior to this actuarial report, the assumed investment rate of return was 7.5 percent. For the June 30, 2016 actuarial report, the investment rate of return was reduced to 7.25 percent.

Policemen and Firemen Retirement System

June 30, 2021 - The actuarial assumptions included adjustments (decreases) to the rates of inflation and salary increases. The investment rate of return was reduced from 7.25 percent in the prior year to 7.00 percent for June 30, 2021. Additionally, mortality tables were adjusted from the RP-2014 tables to the Pub-2010 tables.

OPEB Information

Changes in Assumptions

Municipal Employees' Retiree Healthcare System; Policemen and Firemen Retiree Healthcare System

June 30, 2022 - The discount rate and investment rate of return used to measure the net OPEB liability increased from 1.92 percent in 2021 to 3.69 percent in 2022. This increase 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, increasing between June 30, 2021 and June 30, 2022.

June 30, 2021 - The discount rate and investment rate of return used to measure the net OPEB liability decreased to 1.92 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, 2020 and June 30, 2021.

June 30, 2020 - The salary increase assumption was decreased from 3.50 percent to 3.00 percent used in the June 30, 2019 actuarial valuation. The health care cost trend inflation rate assumption was decreased from 9.00 percent to 8.25 percent used in the June 30, 2019 actuarial valuation. The June 30, 2019 actuarial valuation also updated the mortality table to MP-2019. The discount rate and investment rate of return used to measure the net OPEB liability decreased to 2.45 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, 2019 and June 30, 2020.

June 30, 2019 - The discount rate and investment rate of return used to measure the net OPEB liability decreased to 3.13 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.

June 30, 2018 - The discount rate and investment rate of return used to measure the net OPEB liability increased to 3.62 percent. The net OPEB liability measured at June 30, 2017 was calculated on a discount rate and investment rate of return of 3.56 percent. This increase is due to the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating increase between June 30, 2017 and June 30, 2018.

Other Supplemental Information

City of Southgate, Michigan

	Special Revenue Funds				
	Parks and Recreation	Community Development Block Grant	Street Paving	Narcotics Enforcement	Library
Assets					
Cash and cash equivalents	\$ 827,106	\$ 118,482	\$ 2,323,992	\$ 689,603	\$ 594,738
Receivables	-	-	-	-	-
Prepaid expenses and other assets	-	-	-	-	1,569
Total assets	\$ 827,106	\$ 118,482	\$ 2,323,992	\$ 689,603	\$ 596,307
Liabilities					
Accounts payable	\$ -	\$ -	\$ 5,078	\$ 30,399	\$ 4,522
Due to other governmental units	3,549	-	-	-	-
Accrued liabilities and other	-	-	22,500	-	3,971
Unearned revenue	-	118,482	-	-	-
Total liabilities	3,549	118,482	27,578	30,399	8,493
Fund Balances					
Nonspendable - Prepaids	-	-	-	-	1,569
Restricted:					
Roads	-	-	2,296,414	-	-
Police	-	-	-	659,204	-
Debt service	-	-	-	-	-
Library	-	-	-	-	586,245
District Court Capital Improvement	-	-	-	-	-
Parks and recreation	823,557	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Total fund balances	823,557	-	2,296,414	659,204	587,814
Total liabilities and fund balances	\$ 827,106	\$ 118,482	\$ 2,323,992	\$ 689,603	\$ 596,307

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2022

Debt Service Funds			Capital Projects Funds			District Court Capital Improvement	Total
Indigent Defense	SCI 541 Bond	Michigan Transportation Bond	Building Authority	Capital Improvement			
\$ 38,809	\$ 4,963	\$ -	\$ 4,819	\$ 852,759	\$ 21,527	\$ 5,476,798	
-	-	-	-	-	7,429	7,429	
-	-	-	-	-	-	1,569	
\$ 38,809	\$ 4,963	\$ -	\$ 4,819	\$ 852,759	\$ 28,956	\$ 5,485,796	
\$ 7,650	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,649	
-	-	-	-	-	-	3,549	
-	-	-	-	-	-	26,471	
31,159	-	-	-	-	-	149,641	
38,809	-	-	-	-	-	227,310	
-	-	-	-	-	-	1,569	
-	-	-	-	-	-	2,296,414	
-	-	-	-	-	-	659,204	
-	4,963	-	4,819	-	-	9,782	
-	-	-	-	-	-	586,245	
-	-	-	-	-	28,956	28,956	
-	-	-	-	-	-	823,557	
-	-	-	-	713,683	-	713,683	
-	-	-	-	139,076	-	139,076	
-	4,963	-	4,819	852,759	28,956	5,258,486	
\$ 38,809	\$ 4,963	\$ -	\$ 4,819	\$ 852,759	\$ 28,956	\$ 5,485,796	

City of Southgate, Michigan

	Special Revenue Funds				
	Parks and Recreation	Community Development Block Grant	Street Paving	Narcotics Enforcement	Library
Revenue					
Taxes	\$ 744,443	\$ -	\$ 1,383,566	\$ -	\$ 631,836
Intergovernmental:					
Federal grants	-	-	-	232,348	-
State sources	-	-	-	95,997	32,920
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Interest and rentals	-	-	6,171	1,269	1,131
Other revenue	-	-	-	-	10,754
Total revenue	744,443	-	1,389,737	329,614	676,641
Expenditures					
Current services:					
28th District Court	-	-	-	-	-
Public safety	-	-	-	102,956	-
Public works	-	-	191,502	-	-
Recreation and culture - Library	-	-	-	-	543,602
Capital outlay	409,058	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	409,058	-	191,502	102,956	543,602
Excess of Revenue Over (Under) Expenditures	335,385	-	1,198,235	226,658	133,039
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(101,075)
Total other financing (uses) sources	-	-	-	-	(101,075)
Net Change in Fund Balances	335,385	-	1,198,235	226,658	31,964
Fund Balances - Beginning of year	488,172	-	1,098,179	432,546	555,850
Fund Balances - End of year	\$ 823,557	\$ -	\$ 2,296,414	\$ 659,204	\$ 587,814

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

Year Ended June 30, 2022

Debt Service Funds			Capital Projects Funds		District Court	Total
Indigent Defense	SCI 541 Bond	Michigan Transportation Bond	Building Authority	Capital Improvement	Capital Improvement	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,759,845
-	-	-	-	-	-	232,348
132,104	-	-	-	-	-	261,021
-	-	-	-	-	70,870	70,870
2,543	-	-	-	-	-	2,543
-	-	-	-	2,366	-	10,937
-	-	-	670,955	-	-	681,709
134,647	-	-	670,955	2,366	70,870	4,019,273
134,647	-	-	-	-	-	134,647
-	-	-	-	-	-	102,956
-	-	-	-	-	-	191,502
-	-	-	-	-	-	543,602
-	-	-	-	113,146	62,293	584,497
-	-	-	685,000	-	-	685,000
-	-	108,556	87,080	-	-	195,636
134,647	-	108,556	772,080	113,146	62,293	2,437,840
-	-	(108,556)	(101,125)	(110,780)	8,577	1,581,433
-	-	-	101,075	-	-	101,075
-	-	-	-	-	-	(101,075)
-	-	-	101,075	-	-	-
-	-	(108,556)	(50)	(110,780)	8,577	1,581,433
-	4,963	108,556	4,869	963,539	20,379	3,677,053
\$ -	\$ 4,963	\$ -	\$ 4,819	\$ 852,759	\$ 28,956	\$ 5,258,486

Other Supplemental Information
Combining Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2022

	Pension and Other Employee Benefit Trust Funds			Custodial Funds		Total Fiduciary Funds
	Policemen and Firemen Retirement System	Municipal Employees' Retiree Healthcare System	Act 345 Health Insurance	Senior Citizens' Trust	Tax Collection	
Assets						
Cash and cash equivalents	\$ 1,908,834	\$ 1,437,718	\$ 3,578,903	\$ -	\$ 77,971	\$ 7,003,426
Investments:						
Certificates of deposit	-	2,200,011	-	-	-	2,200,011
U.S. government securities	1,277,524	-	-	-	-	1,277,524
Stocks and mutual funds	36,349,363	-	-	-	-	36,349,363
Mortgage-backed securities	11,505	-	-	-	-	11,505
Alternative investments	11,658,079	-	-	-	-	11,658,079
Receivables:						
Accrued interest receivable	711	-	-	-	-	711
Other receivables	41,277	-	-	320	-	41,597
Prepaid expenses and other assets	-	-	104,875	-	-	104,875
Total assets	51,247,293	3,637,729	3,683,778	320	77,971	58,647,091
Liabilities - Due to other governmental units	-	-	-	320	77,971	78,291
Net Position						
Restricted:						
Pension	51,247,293	-	-	-	-	51,247,293
Postemployment benefits other than pension	-	3,637,729	3,683,778	-	-	7,321,507
Total net position	<u>\$ 51,247,293</u>	<u>\$ 3,637,729</u>	<u>\$ 3,683,778</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,568,800</u>

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

Year Ended June 30, 2022

	Pension and Other Employee Benefit Trust Funds			Custodial Funds		Total Fiduciary Funds
	Policemen and Firemen Retirement System	Municipal Employees' Retiree Healthcare System	Act 345 Health Insurance	Senior Citizens' Trust	Tax Collection	
Additions						
Investment income (loss):						
Interest and dividends	\$ 1,366,093	\$ 30,796	\$ -	\$ -	\$ -	\$ 1,396,889
Net decrease in fair value of investments	(6,903,956)	(130,645)	-	-	-	(7,034,601)
Investment costs	(291,849)	-	-	-	-	(291,849)
Net investment loss	(5,829,712)	(99,849)	-	-	-	(5,929,561)
Contributions:						
Employer	5,801,664	955,258	2,145,821	-	-	8,902,743
Employee	380,585	-	-	-	-	380,585
Total contributions	6,182,249	955,258	2,145,821	-	-	9,283,328
Property tax collections	-	-	-	-	27,334,067	27,334,067
Collections for benefit of Senior Citizens' Trust	-	-	-	24,182	-	24,182
Total additions	352,537	855,409	2,145,821	24,182	27,334,067	30,712,016
Deductions						
Benefit payments	6,102,215	724,113	1,585,848	-	-	8,412,176
Tax distributions to other governments	-	-	-	-	27,334,067	27,334,067
Disbursements from Senior Citizens' Trust	-	-	-	78,621	-	78,621
Total deductions	6,102,215	724,113	1,585,848	78,621	27,334,067	35,824,864
Net (Decrease) Increase in Fiduciary Net Position	(5,749,678)	131,296	559,973	(54,439)	-	(5,112,848)
Net Position - Beginning of year	56,996,971	3,506,433	3,123,805	54,439	-	63,681,648
Net Position - End of year	\$ 51,247,293	\$ 3,637,729	\$ 3,683,778	\$ -	\$ -	\$ 58,568,800