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# City of Southgate, Michigan

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**Financial Report  
with Supplemental Information  
June 30, 2021**

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Southgate, Michigan (the "City") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the City of Southgate, Michigan's basic financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Southgate, Michigan as of June 30, 2021 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.

### *Emphasis of Matter*

As discussed in Note 1 to the financial statements, in 2021, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which gives guidance on the identification and reporting of fiduciary activities. Our opinion is not modified with respect to this matter.

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

**Other Matters**

*Required Supplemental Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Southgate, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2021 on our consideration of the City of Southgate, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Southgate, Michigan's internal control over financial reporting and compliance.



November 29, 2021

Our discussion and analysis of the City of Southgate, Michigan's 2021 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, 2021. 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, 2021:

- Property taxes are the City's single largest source of revenue. The City's taxable value for fiscal year 2021 was \$728,000,000, which represents an increase of \$24,000,000, or 3.4 percent.
- The City closely monitors discretionary spending by performing periodic budget adjustments. As a result, fund balance in the General Fund increased by \$1,544,069. The increase was primarily due to the receipt of approximately \$1.2 million in nonrecurring federal COVID-19 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 76 percent. As a result, the outstanding debt for fiscal year 2021 is \$3,317,283.

### ***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, 2021 compared to the prior year:

#### The City's Net Position

	Governmental Activities			
	2020	2021	Change	Percent Change
<b>Assets</b>				
Current and other assets	\$ 27,570,194	\$ 31,099,681	\$ 3,529,487	12.8
Capital assets	61,170,190	60,134,626	(1,035,564)	(1.7)
Total assets	88,740,384	91,234,307	2,493,923	2.8
<b>Deferred Outflows of Resources</b>	21,436,132	21,977,135	541,003	2.5
<b>Liabilities</b>				
Current liabilities	4,024,984	2,913,553	(1,111,431)	(27.6)
Long-term liabilities	125,602,515	128,057,054	2,454,539	2.0
Total liabilities	129,627,499	130,970,607	1,343,108	1.0
<b>Deferred Inflows of Resources</b>	15,665,272	15,022,516	(642,756)	(4.1)
<b>Net Position (Deficit)</b>				
Net investment in capital assets	57,059,547	56,964,260	(95,287)	(0.2)
Restricted	19,012,352	22,558,183	3,545,831	18.7
Unrestricted	(111,188,154)	(112,304,124)	(1,115,970)	1.0
Total net position (deficit)	<b>\$ (35,116,255)</b>	<b>\$ (32,781,681)</b>	<b>\$ 2,334,574</b>	(6.6)
<b>Business-type Activities</b>				
	2020	2021	Change	Percent Change
<b>Assets</b>				
Current and other assets	\$ 6,304,492	\$ 6,040,384	\$ (264,108)	(4.2)
Capital assets	41,793,561	41,894,859	101,298	0.2
Total assets	48,098,053	47,935,243	(162,810)	(0.3)
<b>Deferred Outflows of Resources</b>	931,142	884,923	(46,219)	(5.0)
<b>Liabilities</b>	22,147,055	22,418,331	271,276	1.2
<b>Deferred Inflows of Resources</b>	920,063	551,701	(368,362)	(40.0)
<b>Net Position</b>				
Net investment in capital assets	29,458,803	29,585,439	126,636	0.4
Restricted	1,376,398	1,082,021	(294,377)	(21.4)
Unrestricted	(4,873,124)	(4,817,326)	55,798	(1.1)
Total net position	<b>\$ 25,962,077</b>	<b>\$ 25,850,134</b>	<b>\$ (111,943)</b>	(0.4)

The City's combined net position increased from a deficit of approximately \$9.2 million to a deficit of approximately \$6.9 million, an increase of approximately 25 percent from a year ago. As we look at governmental activities separately from the business-type activities, we can see that net position increased by approximately \$2.3 million in governmental activities. Last fiscal year, the net position of the governmental activities increased by approximately \$3.6 million. The year-over-year change is primarily the result of increases in pension and OPEB expense that were partially offset by increase in property tax and federal grant revenue.

Business-type activities net position decreased by approximately \$112,000. Business-type activities comprise approximately \$26 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, decreased by approximately \$1.1 million for governmental activities and increased by approximately \$56,000 for business-type activities. The current level of unrestricted net position stands at a deficit of \$112.3 million for governmental activities and a deficit of approximately \$4.8 million for business-type activities. Restricted net position for business-type activities totaled approximately \$1.1 million at June 30, 2021, 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			
	2020	2021	Change	Percent Change
<b>Revenue</b>				
Program revenue:				
Charges for services	\$ 4,949,602	\$ 4,134,534	\$ (815,068)	(16.5)
Operating grants	4,170,213	5,379,378	1,209,165	29.0
Capital grants	87,068	134,186	47,118	54.1
General revenue:				
Taxes - Property taxes	18,743,582	19,219,195	475,613	2.5
State-shared revenue	3,222,632	3,739,818	517,186	16.0
Investment earnings	321,988	2,111	(319,877)	(99.3)
Other revenue	(35,157)	155,113	190,270	(541.2)
Total revenue	31,459,928	32,764,335	1,304,407	4.1
<b>Expenses</b>				
General government	3,076,862	6,255,290	3,178,428	103.3
28th District Court	1,350,214	1,334,143	(16,071)	(1.2)
Public safety	13,576,029	13,545,267	(30,762)	(0.2)
Public works	7,979,637	7,254,558	(725,079)	(9.1)
Recreation and culture	1,578,090	1,894,280	316,190	20.0
Interest on long-term debt	170,442	146,223	(24,219)	(14.2)
Total expenses	27,731,274	30,429,761	2,698,487	9.7
<b>Transfers</b>	(94,089)	-	94,089	(100.0)
<b>Change in Net Position</b>	3,634,565	2,334,574	(1,299,991)	(35.8)
<b>Net Position (Deficit) - Beginning of year</b>	(38,750,820)	(35,116,255)	3,634,565	(9.4)
<b>Net Position (Deficit) - End of year</b>	<b>\$ (35,116,255)</b>	<b>\$ (32,781,681)</b>	<b>\$ 2,334,574</b>	<b>(6.6)</b>



Management's Discussion and Analysis (Continued)

	Business-type Activities			
	2020	2021	Change	Percent Change
<b>Revenue</b>				
Operating revenue	\$ 8,057,511	\$ 8,182,295	\$ 124,784	1.5
Nonoperating revenue:				
Property taxes	280,870	-	(280,870)	(100.0)
Investment earnings	18,729	53	(18,676)	(99.7)
Total revenue	8,357,110	8,182,348	(174,762)	(2.1)
<b>Expenses</b>				
Water and Sewer Fund	9,125,916	7,973,589	(1,152,327)	(12.6)
Golf Course Fund	306,343	320,702	14,359	4.7
Total expenses	9,432,259	8,294,291	(1,137,968)	(12.1)
<b>Transfers</b>	94,089	-	(94,089)	(100.0)
<b>Change in Net Position</b>	(981,060)	(111,943)	869,117	(88.6)
<b>Net Position - Beginning of year</b>	26,943,137	25,962,077	(981,060)	(3.6)
<b>Net Position - End of year</b>	<u>\$ 25,962,077</u>	<u>\$ 25,850,134</u>	<u>\$ (111,943)</u>	(0.4)

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 \$264,843, while the Golf Course Fund has operating income of \$68,069. Excluding depreciation, the Water and Sewer Fund had operating income of \$1,563,606, while the Golf Course Fund had operating income of \$93,680.

**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 \$12,906,147 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 \$5,009,076, of total governmental fund balances. The General Fund's fund balance, which includes the Severance Reserve Fund, increased by \$1,544,069 from the prior year. The increase was primarily due to the receipt of approximately \$1.2 million in nonrecurring federal COVID-19 grants and the deferral of various expenses to the next fiscal year.

Fund balance of the Major Street Fund increased by \$969,135 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 \$1,071,890 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 increased by \$454,745 from the prior year.

### ***General Fund Budgetary Highlights***

During the current year, actual revenue exceeded expenditures by \$1,801,622. The City's departments overall were under budget by \$1,773,841, and revenue was over budget by \$27,624. The primary expenditure variances related to reduced salary expenses due to unfilled positions and the deferral of various expense and projects. Overall, the General Fund's unassigned fund balance decreased by \$29,422 in the current year, from \$901,387 a year ago to \$877,219 at June 30, 2021.

### ***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 2021, the City had approximately \$102 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, 2021 was \$16.6 million. Of this amount, \$10.1 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 2021. We are in the process of evaluating the amount of increase that will be needed and will likely have a public hearing in 2021 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, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 28,433,328	\$ 1,606,314	\$ 30,039,642	\$ 1,358,308
Receivables:				
Property taxes receivable	5,348	-	5,348	-
Special assessments receivable	1,218,750	-	1,218,750	-
Customer receivables	-	2,320,593	2,320,593	-
Other receivables	75,424	10,000	85,424	169,568
Due from other governments	1,194,615	-	1,194,615	49,372
Inventory	-	32,974	32,974	-
Prepaid expenses and other assets	172,216	20,518	192,734	26
Restricted assets (Note 8)	-	2,049,985	2,049,985	-
Capital assets: (Note 5)				
Assets not subject to depreciation	3,386,602	886,769	4,273,371	-
Assets subject to depreciation - Net	56,748,024	41,008,090	97,756,114	482,721
<b>Total assets</b>	<b>91,234,307</b>	<b>47,935,243</b>	<b>139,169,550</b>	<b>2,059,995</b>
<b>Deferred Outflows of Resources</b>				
Deferred charges on bond refunding	146,917	-	146,917	-
Deferred pension costs (Note 11)	5,866,487	363,413	6,229,900	-
Deferred OPEB costs (Note 12)	15,963,731	521,510	16,485,241	-
<b>Total deferred outflows of resources</b>	<b>21,977,135</b>	<b>884,923</b>	<b>22,862,058</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	941,575	849,630	1,791,205	6,066
Due to other governmental units	39,763	-	39,763	-
Refundable deposits, bonds, etc.	708,494	-	708,494	-
Accrued liabilities and other	1,047,410	200,895	1,248,305	2,567
Unearned revenue	176,311	-	176,311	30,000
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	750,213	74,884	825,097	-
Provision for claims (Note 7)	21,000	-	21,000	-
Current portion of bonds and contracts payable (Note 7)	698,159	632,868	1,331,027	-
Due in more than one year:				
Compensated absences (Note 7)	1,393,249	61,269	1,454,518	-
Provision for claims (Note 7)	49,000	-	49,000	-
Net pension liability (Note 11)	32,565,103	2,349,030	34,914,133	-
Net OPEB liability (Note 12)	89,961,206	5,605,239	95,566,445	-
Bonds and contracts payable - Net of current portion (Note 7)	2,619,124	12,644,516	15,263,640	-
<b>Total liabilities</b>	<b>130,970,607</b>	<b>22,418,331</b>	<b>153,388,938</b>	<b>38,633</b>
<b>Deferred Inflows of Resources</b>				
Deferred pension cost reductions (Note 11)	5,633,199	282,103	5,915,302	-
Deferred OPEB cost reductions (Note 12)	9,389,317	269,598	9,658,915	-
<b>Total deferred inflows of resources</b>	<b>15,022,516</b>	<b>551,701</b>	<b>15,574,217</b>	<b>-</b>

**Statement of Net Position (Continued)**

**June 30, 2021**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Net Position (Deficit)</b>				
Net investment in capital assets	\$ 56,964,260	\$ 29,585,439	\$ 86,549,699	\$ 482,721
Restricted:				
Streets and highways	12,687,786	-	12,687,786	-
Building department	158,972	-	158,972	-
Debt service	118,388	-	118,388	-
Capital improvement	20,379	1,082,021	1,102,400	-
Police and fire retirement	735,485	-	735,485	-
Southgate-Wyandotte drain operation and maintenance	7,184,034	-	7,184,034	-
Library	555,850	-	555,850	-
Narcotics enforcement	432,546	-	432,546	-
Low-income housing	9,163	-	9,163	-
Parks and recreation	488,172	-	488,172	-
Rubbish	167,408	-	167,408	-
Unrestricted	(112,304,124)	(4,817,326)	(117,121,450)	1,538,641
<b>Total net position (deficit)</b>	<b>\$ (32,781,681)</b>	<b>\$ 25,850,134</b>	<b>\$ (6,931,547)</b>	<b>\$ 2,021,362</b>

# 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	\$ 6,255,290	\$ 853,983	\$ 35,834	\$ -
28th District Court	1,334,143	924,919	187,726	-
Public safety	13,545,267	83,882	1,332,480	119,160
Public works	7,254,558	1,857,381	3,080,557	15,026
Recreation and culture	1,894,280	414,369	742,781	-
Interest on long-term debt	146,223	-	-	-
Total governmental activities	<u>30,429,761</u>	<u>4,134,534</u>	<u>5,379,378</u>	<u>134,186</u>
Business-type activities:				
Water and Sewer Fund	7,973,589	7,793,524	-	-
Golf Course Fund	320,702	388,771	-	-
Total business-type activities	<u>8,294,291</u>	<u>8,182,295</u>	<u>-</u>	<u>-</u>
Total primary government	<u><b>\$ 38,724,052</b></u>	<u><b>\$ 12,316,829</b></u>	<u><b>\$ 5,379,378</b></u>	<u><b>\$ 134,186</b></u>
Component units:				
Tax Increment Financing Authority	\$ 711,633	\$ -	\$ -	\$ -
Downtown Development Authority	167,895	-	-	-
Southern Michigan Information Alliance	106,890	86,395	-	-
Total component units	<u><b>\$ 986,418</b></u>	<u><b>\$ 86,395</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></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, 2021

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (5,365,473)	\$ -	\$ (5,365,473)	\$ -
(221,498)	-	(221,498)	-
(12,009,745)	-	(12,009,745)	-
(2,301,594)	-	(2,301,594)	-
(737,130)	-	(737,130)	-
(146,223)	-	(146,223)	-
(20,781,663)	-	(20,781,663)	-
-	(180,065)	(180,065)	-
-	68,069	68,069	-
-	(111,996)	(111,996)	-
(20,781,663)	(111,996)	(20,893,659)	-
-	-	-	(711,633)
-	-	-	(167,895)
-	-	-	(20,495)
-	-	-	(900,023)
19,219,195	-	19,219,195	824,977
3,739,818	-	3,739,818	-
2,111	-	2,111	171
62,261	-	62,261	-
92,852	53	92,905	6,825
23,116,237	53	23,116,290	831,973
2,334,574	(111,943)	2,222,631	(68,050)
(35,116,255)	25,962,077	(9,154,178)	2,089,412
<b><u>\$ (32,781,681)</u></b>	<b><u>\$ 25,850,134</u></b>	<b><u>\$ (6,931,547)</u></b>	<b><u>\$ 2,021,362</u></b>

# City of Southgate, Michigan

	General Fund	Major Street Fund	Local Street Fund
<b>Assets</b>			
Cash and cash equivalents	\$ 6,827,459	\$ 5,723,281	\$ 5,370,152
Receivables:			
Property taxes receivable	5,348	-	-
Special assessments receivable	-	-	-
Other receivables	75,424	-	-
Due from other governments	668,468	364,289	140,121
Due from other funds (Note 6)	502,186	-	91,072
Prepaid expenses	164,829	-	-
	<u>\$ 8,243,714</u>	<u>\$ 6,087,570</u>	<u>\$ 5,601,345</u>
Total assets			
<b>Liabilities</b>			
Accounts payable	\$ 621,002	\$ 6,851	\$ 1,385
Due to other governmental units	-	-	-
Due to other funds (Note 6)	543,375	91,072	-
Refundable deposits, bonds, etc.	708,494	-	-
Accrued liabilities and other	763,256	-	-
Unearned revenue	-	-	-
	<u>2,636,127</u>	<u>97,923</u>	<u>1,385</u>
Total liabilities			
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - State sources	584,105	-	-
Unavailable revenue - Other receivables and special assessments	14,406	-	-
	<u>598,511</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources			
Total liabilities and deferred inflows of resources	3,234,638	97,923	1,385
<b>Fund Balances</b>			
Nonspendable - Prepaids	164,829	-	-
Restricted:			
Roads	-	5,989,647	5,599,960
Police	-	-	-
Debt service	-	-	-
Unspent property tax proceeds - Rubbish	167,408	-	-
Unspent property tax proceeds - Police and fire pension	735,485	-	-
Low-income housing	9,163	-	-
Southgate-Wyandotte operation and maintenance	-	-	-
Library	-	-	-
District Court Capital Improvement	-	-	-
Parks and recreation	-	-	-
Building department	158,972	-	-
Committed (Note 9)	446,000	-	-
Assigned (Note 9)	2,420,000	-	-
Unassigned	907,219	-	-
	<u>5,009,076</u>	<u>5,989,647</u>	<u>5,599,960</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,243,714</u>	<u>\$ 6,087,570</u>	<u>\$ 5,601,345</u>

Governmental Funds  
Balance Sheet

June 30, 2021

Southgate- Wyandotte Operation and Maintenance Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 6,122,789	\$ 4,368,307	\$ 28,411,988
-	-	5,348
1,218,750	-	1,218,750
-	-	75,424
-	21,737	1,194,615
-	41,340	634,598
4,705	2,682	172,216
<b>\$ 7,346,244</b>	<b>\$ 4,434,066</b>	<b>\$ 31,712,939</b>
\$ 136,459	\$ 165,640	\$ 931,337
-	39,763	39,763
25,751	340,435	1,000,633
-	-	708,494
-	34,864	798,120
-	176,311	176,311
162,210	757,013	3,654,658
-	-	584,105
238,972	-	253,378
238,972	-	837,483
401,182	757,013	4,492,141
4,705	2,682	172,216
-	1,098,179	12,687,786
-	432,546	432,546
-	118,388	118,388
-	-	167,408
-	-	735,485
-	-	9,163
6,940,357	-	6,940,357
-	553,168	553,168
-	20,379	20,379
-	488,172	488,172
-	-	158,972
-	713,683	1,159,683
-	249,856	2,669,856
-	-	907,219
6,945,062	3,677,053	27,220,798
<b>\$ 7,346,244</b>	<b>\$ 4,434,066</b>	<b>\$ 31,712,939</b>



**Governmental Funds**

**Reconciliation of the Balance Sheet to the Statement of Net Position**

**June 30, 2021**

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 27,220,798</b>
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	60,134,626
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	837,483
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(3,317,283)
Deferred charges on bond refundings are not amortized over the related bond terms and are not reported in the funds	146,917
Accrued interest is not due and payable in the current period and is not reported in the funds	(21,290)
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	(2,143,462)
Pension benefits	(32,565,103)
Retiree health care benefits	(89,961,206)
Deferred inflows of resources related to pension are not reported in the funds	(5,633,199)
Deferred outflows of resources related to pension are not reported in the funds	5,866,487
Deferred inflows of resources related to OPEB are not reported in the funds	(9,389,317)
Deferred outflows of resources related to OPEB are not reported in the funds	15,963,731
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	149,137
<b>Net Position (Deficit) of Governmental Activities</b>	<b><u>\$ (32,781,681)</u></b>

# City of Southgate, Michigan

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>
<b>Revenue</b>			
Taxes	\$ 16,570,427	\$ -	\$ -
Special assessments	-	-	-
Intergovernmental:			
Federal grants	1,335,416	-	-
State sources	3,634,858	2,224,808	855,749
Charges for services	476,433	-	-
Fines and forfeitures	854,748	-	-
Licenses and permits	655,929	-	-
Interest and rentals	616,347	106	53
Other revenue	242,032	-	-
	<u>24,386,190</u>	<u>2,224,914</u>	<u>855,802</u>
Total revenue			
<b>Expenditures</b>			
Current services:			
General government	4,675,574	-	-
28th District Court	1,080,585	-	-
Public safety	12,906,147	-	-
Public works	3,459,530	699,577	340,114
Recreation and culture	567,285	-	-
Capital outlay	-	-	-
Debt service	-	-	-
	<u>22,689,121</u>	<u>699,577</u>	<u>340,114</u>
Total expenditures			
<b>Excess of Revenue Over Expenditures</b>	1,697,069	1,525,337	515,688
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	556,202
Transfers out	(153,000)	(556,202)	-
	<u>(153,000)</u>	<u>(556,202)</u>	<u>556,202</u>
Total other financing (uses) sources			
<b>Net Change in Fund Balances</b>	1,544,069	969,135	1,071,890
<b>Fund Balances - Beginning of year</b>	3,465,007	5,020,512	4,528,070
<b>Fund Balances - End of year</b>	<u>\$ 5,009,076</u>	<u>\$ 5,989,647</u>	<u>\$ 5,599,960</u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2021

Southgate- Wyandotte Operation and Maintenance Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 2,648,768	\$ 19,219,195
1,172,651	-	1,172,651
-	11,800	1,347,216
-	260,705	6,976,120
-	62,791	539,224
-	7,380	862,128
-	-	655,929
205	352	617,063
-	829,838	1,071,870
1,172,856	3,821,634	32,461,396
-	-	4,675,574
-	144,396	1,224,981
-	268,198	13,174,345
718,111	959,366	6,176,698
-	676,519	1,243,804
-	548,217	548,217
-	1,063,280	1,063,280
718,111	3,659,976	28,106,899
454,745	161,658	4,354,497
-	251,775	807,977
-	(98,775)	(807,977)
-	153,000	-
454,745	314,658	4,354,497
6,490,317	3,362,395	22,866,301
<b>\$ 6,945,062</b>	<b>\$ 3,677,053</b>	<b>\$ 27,220,798</b>

**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, 2021**

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 4,354,497</b>
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	2,191,085
Depreciation expense	(3,226,649)
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	302,939
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	986,885
The change in deferred charges on bond refunding balance is recorded in the statement of activities	(46,608)
Interest expense is recognized in the government-wide statements as it accrues	6,443
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	(2,211,057)
Internal service funds are included as part of governmental activities	<u>(22,961)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 2,334,574</u></u></b>

Proprietary Funds  
Statement of Net Position

June 30, 2021

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise - Golf Course	Total	Internal Service Fund - Workers' Compensation
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,435,459	\$ 170,855	\$ 1,606,314	\$ 21,340
Customer receivables	2,330,593	-	2,330,593	-
Due from other funds (Note 6)	-	-	-	506,035
Inventory	32,974	-	32,974	-
Prepaid expenses and other assets	19,685	833	20,518	-
<b>Total current assets</b>	<b>3,818,711</b>	<b>171,688</b>	<b>3,990,399</b>	<b>527,375</b>
Noncurrent assets:				
Restricted assets (Note 8)	2,049,985	-	2,049,985	-
Capital assets: (Note 5)				
Assets not subject to depreciation	732,324	154,445	886,769	-
Assets subject to depreciation - Net	40,764,229	243,861	41,008,090	-
<b>Total noncurrent assets</b>	<b>43,546,538</b>	<b>398,306</b>	<b>43,944,844</b>	<b>-</b>
<b>Total assets</b>	<b>47,365,249</b>	<b>569,994</b>	<b>47,935,243</b>	<b>527,375</b>
<b>Deferred Outflows of Resources</b>				
Deferred pension costs (Note 11)	363,413	-	363,413	-
Deferred OPEB costs (Note 12)	521,510	-	521,510	-
<b>Total deferred outflows of resources</b>	<b>884,923</b>	<b>-</b>	<b>884,923</b>	<b>-</b>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	846,204	3,426	849,630	10,238
Due to other funds	-	-	-	140,000
Accrued liabilities and other	200,357	538	200,895	228,000
Compensated absences (Note 7)	74,884	-	74,884	-
Current portion of bonds and contracts payable (Note 7)	632,868	-	632,868	-
<b>Total current liabilities</b>	<b>1,754,313</b>	<b>3,964</b>	<b>1,758,277</b>	<b>378,238</b>
Noncurrent liabilities:				
Compensated absences (Note 7)	61,269	-	61,269	-
Net pension liability (Note 11)	2,349,030	-	2,349,030	-
Net OPEB liability (Note 12)	5,605,239	-	5,605,239	-
Bonds and contracts payable - Net of current portion (Note 7)	12,644,516	-	12,644,516	-
<b>Total noncurrent liabilities</b>	<b>20,660,054</b>	<b>-</b>	<b>20,660,054</b>	<b>-</b>
<b>Total liabilities</b>	<b>22,414,367</b>	<b>3,964</b>	<b>22,418,331</b>	<b>378,238</b>
<b>Deferred Inflows of Resources</b>				
Deferred pension cost reductions (Note 11)	282,103	-	282,103	-
Deferred OPEB cost reductions (Note 12)	269,598	-	269,598	-
<b>Total deferred inflows of resources</b>	<b>551,701</b>	<b>-</b>	<b>551,701</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	29,187,133	398,306	29,585,439	-
Restricted (Note 8)	1,082,021	-	1,082,021	-
Unrestricted	(4,985,050)	167,724	(4,817,326)	149,137
<b>Total net position</b>	<b>\$ 25,284,104</b>	<b>\$ 566,030</b>	<b>\$ 25,850,134</b>	<b>\$ 149,137</b>

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

Year Ended June 30, 2021

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise - Golf Course	Total	Internal Service Fund - Workers' Compensation
<b>Operating Revenue</b>				
Sale of water	\$ 3,274,938	\$ -	\$ 3,274,938	\$ -
Sewage disposal charges	3,465,798	-	3,465,798	-
Installation fees	881,370	-	881,370	-
Other	171,418	-	171,418	-
Greens fees and miscellaneous	-	388,771	388,771	-
Charges to other funds	-	-	-	95,000
Total operating revenue	7,793,524	388,771	8,182,295	95,000
<b>Operating Expenses</b>				
Cost of water	2,239,522	-	2,239,522	-
Cost of sewage treatment	1,511,553	-	1,511,553	-
Other operating and maintenance costs	1,762,271	276,670	2,038,941	-
Billing and administrative costs	716,572	18,421	734,993	-
Contractual services	-	-	-	117,961
Depreciation	1,298,763	25,611	1,324,374	-
Total operating expenses	7,528,681	320,702	7,849,383	117,961
<b>Operating Income (Loss)</b>	264,843	68,069	332,912	(22,961)
<b>Nonoperating (Expense) Revenue</b>				
Interest expense	(444,908)	-	(444,908)	-
Investment income	51	2	53	-
Total nonoperating (expense) revenue	(444,857)	2	(444,855)	-
<b>Change in Net Position</b>	(180,014)	68,071	(111,943)	(22,961)
<b>Net Position - Beginning of year</b>	25,464,118	497,959	25,962,077	172,098
<b>Net Position - End of year</b>	<b>\$ 25,284,104</b>	<b>\$ 566,030</b>	<b>\$ 25,850,134</b>	<b>\$ 149,137</b>

Proprietary Funds  
Statement of Cash Flows

Year Ended June 30, 2021

	Enterprise Funds			Governmental
	Water and Sewer	Nonmajor Enterprise - Golf Course	Total	Internal Service Fund - Workers' Compensation
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 7,884,902	\$ 394,371	\$ 8,279,273	\$ -
Receipts from interfund services and reimbursements	-	-	-	95,000
Payments to suppliers	(5,055,082)	(289,328)	(5,344,410)	-
Payments to employees and fringes	(1,017,780)	(7,581)	(1,025,361)	-
Internal activity - Payments to other funds	(115,000)	-	(115,000)	-
Claims paid	-	-	-	(126,156)
Net cash and cash equivalents provided by (used in) operating activities	1,697,040	97,462	1,794,502	(31,156)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of capital assets	(641,578)	-	(641,578)	-
Principal and interest paid on capital debt	(1,339,791)	-	(1,339,791)	-
Net cash and cash equivalents used in capital and related financing activities	(1,981,369)	-	(1,981,369)	-
<b>Cash Flows Provided by Investing Activities -</b>				
Interest received on investments	51	2	53	-
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(284,278)	97,464	(186,814)	(31,156)
<b>Cash and Cash Equivalents - Beginning of year</b>	3,769,722	73,391	3,843,113	52,496
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 3,485,444</b>	<b>\$ 170,855</b>	<b>\$ 3,656,299</b>	<b>\$ 21,340</b>
<b>Classification of Cash and Cash Equivalents</b>				
Cash and investments	\$ 1,435,459	\$ 170,855	\$ 1,606,314	\$ 21,340
Restricted cash	2,049,985	-	2,049,985	-
Total cash and cash equivalents	<b>\$ 3,485,444</b>	<b>\$ 170,855</b>	<b>\$ 3,656,299</b>	<b>\$ 21,340</b>

Proprietary Funds  
Statement of Cash Flows (Continued)

Year Ended June 30, 2021

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise - Golf Course	Total	Internal Service Fund - Workers' Compensation
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ 264,843	\$ 68,069	\$ 332,912	\$ (22,961)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	1,298,763	25,611	1,324,374	-
Changes in assets and liabilities:				
Receivables	91,378	5,600	96,978	-
Prepaid and other assets	(19,685)	1	(19,684)	-
Accounts payable	51,585	(1,497)	50,088	-
Estimated claims liability	-	-	-	(8,195)
Net pension or OPEB liability	315,781	-	315,781	-
Deferrals related to pension or OPEB	(322,143)	-	(322,143)	-
Accrued and other liabilities	16,518	(322)	16,196	-
Total adjustments	1,432,197	29,393	1,461,590	(8,195)
Net cash and cash equivalents provided by (used in) operating activities	<u>\$ 1,697,040</u>	<u>\$ 97,462</u>	<u>\$ 1,794,502</u>	<u>\$ (31,156)</u>

**Noncash Capital and Related Financing Activities** - During the current year, debt was issued on behalf of the City in the amount \$784,096 for construction related to the Downriver Utility Wastewater System. There was also an increase in the City's debt of \$66,772 due to an increase in the City's allocation of the Downriver Utility Wastewater System debt due to an increase in the City's sewage flow compared to the total sewage flow of the system.



Fiduciary Funds  
Statement of Fiduciary Net Position

June 30, 2021

	Pension and Other Employee Benefit Trust Funds	Custodial Funds	Total Fiduciary Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,752,831	\$ 213,665	\$ 4,966,496
Investments:			
Certificates of deposit	2,292,242	-	2,292,242
U.S. government securities	1,765,918	-	1,765,918
Stocks and mutual funds	46,128,809	-	46,128,809
Mortgage-backed securities	20,037	-	20,037
Alternative investments	8,548,840	-	8,548,840
Receivables - Net:			
Accrued interest receivable	18	-	18
Other receivables	-	320	320
Due from other governments	-	618,298	618,298
Prepaid expenses and other assets	118,514	-	118,514
Total assets	<u>63,627,209</u>	<u>832,283</u>	<u>64,459,492</u>
<b>Liabilities - Due to other governmental units</b>	<u>-</u>	<u>777,844</u>	<u>777,844</u>
<b>Net Position - Restricted</b>			
Pension	56,996,971	-	56,996,971
Postemployment benefits other than pension	6,630,238	-	6,630,238
Individuals, organizations, and other governments	-	54,439	54,439
Total net position	<u><u>\$ 63,627,209</u></u>	<u><u>\$ 54,439</u></u>	<u><u>\$ 63,681,648</u></u>

Fiduciary Funds  
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2021

	Pension and Other Employee Benefit Trust Funds	Custodial Funds	Total Fiduciary Funds
<b>Additions</b>			
Investment income (loss):			
Interest and dividends	\$ 1,136,746	\$ -	\$ 1,136,746
Net increase in fair value of investments	13,168,076	-	13,168,076
Investment costs	(236,332)	-	(236,332)
Net investment income	14,068,490	-	14,068,490
Contributions:			
Employer contributions	7,360,881	-	7,360,881
Employee contributions	382,803	-	382,803
Total contributions	7,743,684	-	7,743,684
Property tax collections	-	26,400,233	26,400,233
Collections for benefit of Senior Citizens' Trust	-	64,424	64,424
Total additions	21,812,174	26,464,657	48,276,831
<b>Deductions</b>			
Benefit payments	9,412,058	-	9,412,058
Tax distributions to other governments	-	26,400,233	26,400,233
Disbursements from Senior Citizens' Trust	-	9,985	9,985
Total deductions	9,412,058	26,410,218	35,822,276
<b>Net Increase in Fiduciary Net Position</b>	12,400,116	54,439	12,454,555
<b>Net Position - Beginning of year</b>	51,227,093	-	51,227,093
<b>Net Position - End of year</b>	<b>\$ 63,627,209</b>	<b>\$ 54,439</b>	<b>\$ 63,681,648</b>

**Component Units  
Statement of Net Position**

**June 30, 2021**

	Tax Increment Financing Authority	Downtown Development Authority	Southern Michigan Information Alliance	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 1,323,738	\$ -	\$ 34,570	\$ 1,358,308
Due from other governmental units	-	169,568	49,372	218,940
Prepaid expenses	-	26	-	26
Capital assets - Net (Note 5)	-	482,721	-	482,721
Total assets	1,323,738	652,315	83,942	2,059,995
<b>Liabilities</b>				
Accounts payable	-	6,066	-	6,066
Accrued liabilities and other	-	2,567	-	2,567
Unearned revenue	-	-	30,000	30,000
Total liabilities	-	8,633	30,000	38,633
<b>Net Position</b>				
Net investment in capital assets	-	482,721	-	482,721
Unrestricted	1,323,738	160,961	53,942	1,538,641
Total net position	<u>\$ 1,323,738</u>	<u>\$ 643,682</u>	<u>\$ 53,942</u>	<u>\$ 2,021,362</u>

# City of Southgate, Michigan

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	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Tax Increment Financing Authority	\$ 711,633	\$ -	\$ -	\$ -
Downtown Development Authority	167,895	-	-	-
Southern Michigan Information Alliance	106,890	86,395	-	-
Total component units	<u><u>\$ 986,418</u></u>	<u><u>\$ 86,395</u></u>	<u><u>\$ -</u></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, 2021

Net (Expense) Revenue and Changes in Net Position			
Tax Increment Financing Authority	Downtown Development Authority	Southern Michigan Information Alliance	Total
\$ (711,633)	\$ -	\$ -	\$ (711,633)
-	(167,895)	-	(167,895)
-	-	(20,495)	(20,495)
(711,633)	(167,895)	(20,495)	(900,023)
684,041	140,936	-	824,977
127	41	3	171
-	6,825	-	6,825
684,168	147,802	3	831,973
(27,465)	(20,093)	(20,492)	(68,050)
1,351,203	663,775	74,434	2,089,412
<b>\$ 1,323,738</b>	<b>\$ 643,682</b>	<b>\$ 53,942</b>	<b>\$ 2,021,362</b>

**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, 2021, the Fun and Fitness Center future debt service is broken down into \$3,105,000 of principal payments and \$246,220 of interest payments.

***Downtown Development Authority***

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

***Southeastern Michigan Information Alliance***

The Southeastern Michigan Information Alliance (the "SMIA") was created to enhance public safety through the sharing of technology and information resources to support the public safety services of the member communities. The SMIA's governing body consists of one representative appointed by each governmental unit who is a member of 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 City Council to be selected by City Council; a resident who is an elector of the City appointed by City Council and who is not eligible to participate in the retirement system as a member; and two members of the retirement system elected by plan members. 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 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.

**Capital Assets**

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

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

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

	Depreciable Life - Years
Infrastructure	30-50
Water and sewer distribution systems	50
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 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, 2020 and is recognized as revenue in the year ended June 30, 2021 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2021 taxable valuation of the City totaled approximately \$728 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 10.1295 mills for the City's operating purposes, 2.4308 mills for refuse, 10.0310 mills for Act 345 police and fire retirement, 0.8800 mills for the library's operating purposes, 1.9320 mills for road construction, 0.0675 mills for Act 359, and 0.9993 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 \$7,329,000 for operations, \$1,759,000 for refuse, \$7,257,000 for police and fire retirement, \$637,000 for the library's operations, \$1,398,000 for road construction, \$49,000 for Act 359, and \$723,000 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 2021, this amounted to \$76,824 and \$342,077 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 June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2022.



**Note 1 - Significant Accounting Policies (Continued)**

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt; provides a single method of reporting conduit debt obligations by issuers; and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result, issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The standard also addresses the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The requirements of the standard will be applied retrospectively and are effective for the City's financial statements for the June 30, 2023 fiscal year.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraentity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The City does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. With the London Interbank Offered Rate (LIBOR) expecting to cease existence in its current form at the end of 2021, this statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) in hedging derivative instruments and leases. The removal of LIBOR as an appropriate benchmark interest rate for a hedging derivative instrument is effective for the City's financial statements for the June 30, 2022 fiscal year. All other requirements of the statement are effective for the City's financial statements for the June 30, 2021 fiscal year. Lease modification requirements are effective one year later.

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 2020, the Governmental Accounting Standards Board issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 should be considered a pension plan or an other employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement related to 457 plans are effective for the City's financial statements for the year ending June 30, 2022.

**Note 1 - Significant Accounting Policies (Continued)**

**Adoption of New Accounting Pronouncements**

During the current year, the City adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, the City no longer reports the agency funds in the statement of fiduciary net position. Instead, activities that are custodial in nature are now reported in custodial funds.

**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, 2020	\$ 281,251
Current year permit revenue	596,501
Related expenses:	
Direct costs	(643,281)
Indirect costs	(75,499)
	<u>(718,780)</u>
Current year surplus	<u>(122,279)</u>
Cumulative surplus June 30, 2021	<u>\$ 158,972</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.



**Note 3 - Deposits and Investments (Continued)**

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

**Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$35,648,000 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

The component units also maintain separate cash accounts from the City's pooled cash account. At year end, the component units had approximately \$31,723 of bank deposits, all of which were insured.

**Interest Rate Risk**

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

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	\$ 20,037	\$ 46	\$ -	\$ 19,991
U.S. government securities	1,765,918	-	-	1,765,918
Corporate bonds	830,085	85,000	637,862	107,223
Total	<u>\$ 2,616,040</u>	<u>\$ 85,046</u>	<u>\$ 637,862</u>	<u>\$ 1,893,132</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, 2021, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
<b>Fiduciary Funds</b>			
Mortgage-backed securities	\$ 20,037	Not rated	N/A
U.S. government securities	1,765,918	Not rated	N/A
Corporate bonds	76,713	A+	S&P
Corporate bonds	254,606	A-	S&P
Corporate bonds	498,766	BBB+	S&P
Total	<u>\$ 2,616,040</u>		

**Note 3 - Deposits and Investments (Continued)**

***Concentration of Credit Risk***

The City is authorized by the State's Pension Investment Act to invest in common stocks, real estate, and various other investment vehicles, subject to certain limitations. At June 30, 2021, 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 7.94 percent invested in First Eagle Overseas Fund, 10.04 percent invested in Loomis Sayles Investment Grade Bond Fund, 6.43 percent invested in Edgewood Growth Institutional fund, 5.07 percent invested in Vanguard FTSE Emerging Markets Fund, and 9.95 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.

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.

June 30, 2021

**Note 4 - Fair Value Measurements (Continued)**

The City has the following recurring fair value measurements as of June 30, 2021:

	Assets Measured at Fair Value on a Recurring Basis			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	Balance at June 30, 2021
Debt securities:				
Corporate bonds	\$ 830,085	\$ -	\$ -	\$ 830,085
Mortgage-backed securities	-	20,037	-	20,037
U.S. government securities	-	1,765,918	-	1,765,918
Mutual funds - Fixed income	10,356,027	-	-	10,356,027
Total debt securities	11,186,112	1,785,955	-	12,972,067
Equity securities:				
Stock	18,115,411	-	-	18,115,411
ETF - Equity	2,862,083	-	-	2,862,083
Mutual funds - Equity	13,965,203	-	-	13,965,203
Total equity securities	34,942,697	-	-	34,942,697
Private equity funds	-	-	6,405,832	6,405,832
Total	\$ 46,128,809	\$ 1,785,955	\$ 6,405,832	54,320,596
Investments measured at NAV - External investment pools				2,143,008
Total assets				\$ 56,463,604

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, 2021 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, 2021 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, 2021, the total unfunded commitments on the private equity funds were \$5,102,548. There are no redemption restrictions associated with any of the Level 3 investments.

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

**Investments in Entities that Calculate Net Asset Value per Share**

The City holds shares or interests in investment companies 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.

June 30, 2021

**Note 4 - Fair Value Measurements (Continued)**

As of June 30, 2021, 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	\$ 2,143,008	\$ 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, 2020	Additions	Disposals and Adjustments	Balance June 30, 2021
Capital assets not being depreciated - Land	\$ 3,386,602	\$ -	\$ -	\$ 3,386,602
Capital assets being depreciated:				
Infrastructure	89,808,435	947,713	-	90,756,148
Buildings and improvements	35,496,792	885,199	-	36,381,991
Machinery and equipment	9,957,948	191,172	-	10,149,120
Vehicles	3,980,228	167,001	(13,488)	4,133,741
Land improvements	3,166,411	-	-	3,166,411
Subtotal	142,409,814	2,191,085	(13,488)	144,587,411
Accumulated depreciation:				
Infrastructure	54,907,655	1,954,920	-	56,862,575
Buildings and improvements	16,393,355	736,235	-	17,129,590
Machinery and equipment	8,439,951	143,422	-	8,583,373
Vehicles	2,777,219	232,144	(13,488)	2,995,875
Land improvements	2,108,046	159,928	-	2,267,974
Subtotal	84,626,226	3,226,649	(13,488)	87,839,387
Net capital assets being depreciated	57,783,588	(1,035,564)	-	56,748,024
Net governmental activities capital assets	\$ 61,170,190	\$ (1,035,564)	\$ -	\$ 60,134,626

June 30, 2021

**Note 5 - Capital Assets (Continued)**

***Business-type Activities***

	Balance July 1, 2020	Additions	Disposals and Adjustments	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 169,445	\$ -	\$ -	\$ 169,445
Construction in progress	-	717,324	-	717,324
Subtotal	169,445	717,324	-	886,769
Capital assets being depreciated:				
Water and sewer lines	64,658,143	664,548	-	65,322,691
Buildings and improvements	938,581	-	-	938,581
Machinery and equipment	2,363,744	18,034	-	2,381,778
Vehicles	2,706,535	25,771	(34,681)	2,697,625
Land improvements	631,708	-	-	631,708
Subtotal	71,298,711	708,353	(34,681)	71,972,383
Accumulated depreciation:				
Water and sewer lines	24,906,194	1,055,663	-	25,961,857
Buildings and improvements	586,148	17,335	-	603,483
Machinery and equipment	1,811,838	117,783	-	1,929,621
Vehicles	1,950,664	115,944	(34,681)	2,031,927
Land improvements	419,756	17,649	-	437,405
Subtotal	29,674,600	1,324,374	(34,681)	30,964,293
Net capital assets being depreciated	41,624,111	(616,021)	-	41,008,090
Net business-type activities capital assets	<u>\$ 41,793,556</u>	<u>\$ 101,303</u>	<u>\$ -</u>	<u>\$ 41,894,859</u>

***Component Units***

	Balance July 1, 2020	Additions	Disposals and Adjustments	Balance June 30, 2021
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	206,984	36,300	-	243,284
Subtotal	417,887	36,300	-	454,187
Net component units capital assets	<u>\$ 519,021</u>	<u>\$ (36,300)</u>	<u>\$ -</u>	<u>\$ 482,721</u>

June 30, 2021

**Note 5 - Capital Assets (Continued)**

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

Governmental activities:	
General government	\$ 1,189,543
Public safety	277,073
Public works	1,066,764
Economic development	632,473
District court	60,796
	<u>3,226,649</u>
Total governmental activities	<u>\$ 3,226,649</u>
Business-type activities:	
Water and Sewer Fund	\$ 1,298,763
Golf Course Fund	25,611
	<u>1,324,374</u>
Total business-type activities	<u>\$ 1,324,374</u>
Component unit activities - Downtown Development Authority	\$ 36,300

**Construction Commitments**

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

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Municipal Complex Miscellaneous Concrete Work	\$ -	\$ 18,732
McCann Avenue Reconstruction	1,061,038	220,652
Lions Dog Park Welcome Center	17,740	37,926
2018 Street Section Program	72,324	377,244
2021 Catch Basin and Pavement Repair Program	146,714	78,070
Dumay Ave. Reconstruction Project	876,140	47,458
	<u>2,173,956</u>	<u>780,082</u>
Total	<u>\$ 2,173,956</u>	<u>\$ 780,082</u>

June 30, 2021

**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
	Nonmajor governmental funds	340,435
	Internal Service Fund - Workers' Compensation	140,000
	Total General Fund	502,186
Local Street Fund	Major Street Fund	91,072
Nonmajor governmental funds	Southgate-Wyandotte Operation and Maintenance Fund	4,000
	General Fund	37,340
	Total nonmajor governmental funds	41,340
Internal service fund - Workers' Compensation Fund	General Fund	506,035
	Total	<u>\$ 1,140,633</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
General Fund	Nonmajor governmental funds	\$ 153,000
Major Street Fund	Local Street Fund	556,202
Nonmajor governmental funds	Nonmajor governmental funds	98,775
	Total	<u>\$ 807,977</u>

The transfer from the General Fund to the nonmajor governmental funds represents the transfer of funds for debt service. 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, 2021

**Note 7 - Long-term Debt**

Long-term debt activity for the year ended June 30, 2021 can be summarized as follows:

**Governmental Activities**

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings and direct placements -							
2006 City Hall heating/cooling capital lease:							
Original issue - \$313,000		\$4,914-					
Maturing through 2021	4.98%	\$28,640	\$ 33,554	\$ -	\$ (28,640)	\$ 4,914	\$ 4,914
Other debt:							
Capital Improvement Refunding Bond Series 2015A:							
Original issue - \$2,400,000	2.00% -	\$95,000 -					
Maturing through 2023	3.00%	\$375,000	570,000	-	(375,000)	195,000	95,000
Capital Improvement Refunding Bond Series 2015B:							
Original issue - \$6,360,000		\$575,000 -					
Maturing through 2026	2.60%	\$650,000	3,680,000	-	(575,000)	3,105,000	590,000
Total other debt principal outstanding			4,250,000	-	(950,000)	3,300,000	685,000
Unamortized bond premiums			20,614	-	(8,245)	12,369	8,245
Total bonds and contracts payable:			4,304,168	-	(986,885)	3,317,283	698,159
Compensated absences			1,756,010	770,693	(383,241)	2,143,462	750,213
Self-insurance claims			70,000	80,497	(80,497)	70,000	21,000
Total governmental activities long-term debt			\$ 6,130,178	\$ 851,190	\$ (1,450,623)	\$ 5,530,745	\$ 1,469,372



June 30, 2021

**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:							
Wayne County Downriver Utility Wastewater System bonds:							
Original issue - Various	1.65% -	\$257,500 -					
Maturing 2027-2043	5.00%	\$748,538	\$ 9,170,001	\$ 784,096	\$ (404,625)	\$ 9,549,472	\$ 416,245
Downriver Sewage Disposal System bonds:							
Original issue - Various	2.00% -	\$61,623 -					
Maturing 2020-2028	5.45%	\$264,795	767,059	-	(264,147)	502,912	61,623
Act 94 - Water and Sewer System revenue bonds - DWRF:							
Original issue - \$4,000,000		\$145,000 -					
Maturing through 2039	2.50%	\$230,000	3,375,000	-	(150,000)	3,225,000	155,000
Total bonds and contracts payable -			13,312,060	784,096	(818,772)	13,277,384	632,868
Compensated absences			135,740	44,344	(43,931)	136,153	74,884
Total business-type activities long-term debt			<u>\$ 13,447,800</u>	<u>\$ 828,440</u>	<u>\$ (862,703)</u>	<u>\$ 13,413,537</u>	<u>\$ 707,752</u>

During the year ended June 30, 2021, the Downriver Utility Wastewater Authority (DUWA) drew down an additional \$421,864 on an existing revolving debt facility. DUWA's debt is allocated to the communities that are members of DUWA. Of the \$421,864 drawn down, \$35,015 was allocated to the City. During the year ended June 30, 2021, DUWA began major capital projects, including equipment replacement projects related to several deferred maintenance and critical long-term needs. The projects have estimated costs of \$36.4 million in total, which will be funded through DUWA reserves and through federal loan programs under the Water Infrastructure Finance and Innovation Act (WIFIA). The amounts due under WIFIA loans will be allocated to the members of DUWA. As of June 30, 2021, DUWA had total draws of \$8,220,593 under the WIFIA loans, of which \$682,309 has been allocated to the City. Subsequent to year end, an additional \$9,629,407 was drawn down on the WIFIA loans, bringing the total outstanding balance to \$17,850,000, of which \$1,481,550 has been allocated to the City.

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, 2021

**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	
2022	\$ 4,914	\$ 29	\$ 685,000	\$ 86,580	\$ 776,523	\$ 632,868	\$ 451,534	\$ 1,084,402
2023	-	-	705,000	68,390	773,390	686,184	431,561	1,117,745
2024	-	-	620,000	49,660	669,660	993,875	410,481	1,404,356
2025	-	-	640,000	33,540	673,540	725,836	388,397	1,114,233
2026	-	-	650,000	16,900	666,900	749,127	365,823	1,114,950
2027-2031	-	-	-	-	-	3,705,677	1,469,332	5,175,009
2032-2036	-	-	-	-	-	3,050,555	935,910	3,986,465
2037-2041	-	-	-	-	-	2,116,937	462,435	2,579,372
Thereafter	-	-	-	-	-	616,325	105,911	722,236
<b>Total</b>	<b>\$ 4,914</b>	<b>\$ 29</b>	<b>\$ 3,300,000</b>	<b>\$ 255,070</b>	<b>\$ 3,560,013</b>	<b>\$ 13,277,384</b>	<b>\$ 5,021,384</b>	<b>\$ 18,298,768</b>

**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. All of the restricted user fees collected in the current year were spent on capital and no amounts are restricted at June 30, 2021. 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, 2021, restricted assets are composed of the following:

Wayne County Downriver Sewage Disposal System bonds - Assets held at the county for future debt payments	\$ 1,082,021
Downriver Utility Wastewater System bonds - Assets held at DUWA for future debt payments	<u>967,964</u>
<b>Total restricted assets</b>	<b>\$ <u>2,049,985</u></b>

Net position in the amount of \$1,082,021 has been restricted. This amount represents unspent property tax collections remitted to the county for future debt service payments on the Wayne County, Michigan bonds. The cash reserves held at the Downriver Utility Wastewater Authority were not restricted net position, as the cash reserves were generated from unspent bond proceeds.

June 30, 2021

**Note 9 - Fund Balance Constraints**

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

	General Fund	Capital Improvement Fund
Nonspendable - Prepaids	\$ 164,829	\$ -
Restricted:		
Unspent property tax proceeds - Rubbish	167,408	-
Unspent property tax proceeds - Police and fire pension	735,485	-
Low-income housing	9,163	-
Building department	158,972	-
Total restricted	1,071,028	-
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	330,000	-
Severance reserve	990,000	-
Future working capital	300,000	-
Future OPEB	200,000	-
Future budget shortfalls due to deficiencies in court revenue	600,000	-
Capital projects	-	249,856
Total assigned	2,420,000	249,856
Unassigned	907,219	-
Total nonspendable, restricted, committed, assigned, and unassigned fund balances	<u>\$ 5,009,076</u>	<u>\$ 963,539</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:

	2021	2020
Unpaid claims - Beginning of year	\$ 298,000	\$ 298,000
Incurred claims, including claims incurred but not reported	54,178	54,157
Claim payments	(54,178)	(54,157)
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](http://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 City Council to be selected by City Council; a resident who is an elector of the City appointed by City Council and who is not eligible to participate in the retirement system as a member; and two members of the retirement system elected by plan members.

***Benefits Provided***

**Municipal Employees' Retirement System**

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

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

The pension plan provides retirement, disability, and death benefits. Plan members are eligible for retirement at age 60 with 10 or more years of service, age 50 with 25 or more years of service, or the date at which the sum of age plus years of service equals 80 or more. The annual amount of benefits provided is calculated by total service times 2.25 percent of final average salary for employees hired before July 1, 2008, 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. All groups are eligible for service retirement at the age of 50 with 25 or more years of service or age 60 regardless of service. For IAFF Local 1307 members hired before July 1, 2008, the annual benefit is calculated as 2.69 percent of final average compensation times first 25 years of service plus 1 percent of final average compensation times years of service in excess of 25 years, subject to a maximum annual benefit cap of \$80,000 after annuity withdrawal, and payable as straight life annuity. For IAFF Local 1307 members hired after July 1, 2008, the annual benefit is calculated the same as those hired before July 1, 2008 but is subject to a maximum annual benefit cap of \$70,000. 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 five or more years of service. The amount is calculated to age 55 as 1.5 percent of final average compensation times years of service and at age 55 as the same as service retirement pension.

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

June 30, 2021

**Note 11 - Pension Plans (Continued)**

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, 2020	June 30, 2021
Inactive plan members or beneficiaries currently receiving benefits	84	100
Inactive plan members entitled to but not yet receiving benefits	5	3
Active plan members	35	63
Total employees covered by the plan	124	166

**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, 2021, the average employee contribution rate was 10.0 percent of annual pay, and the City's average contribution rate was 52.44 percent of annual payroll for the MERS plan. For the year ended June 30, 2021, 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 93.08 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, 2020	June 30, 2021
Based on a comprehensive actuarial valuation as of	December 31, 2020	June 30, 2020

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
<b>Balance at December 31, 2019</b>	\$ 30,994,328	\$ 19,277,640	\$ 11,716,688
Changes for the year:			
Service cost	258,060	-	258,060
Interest	2,267,117	-	2,267,117
Differences between expected and actual experience	47,392	-	47,392
Changes in assumptions	1,316,405	-	1,316,405
Contributions - Employer	-	1,048,404	(1,048,404)
Contributions - Employee	-	219,694	(219,694)
Net investment income	-	2,559,512	(2,559,512)
Benefit payments, including refunds	(2,585,748)	(2,585,748)	-
Administrative expenses	-	(37,808)	37,808
<b>Net changes</b>	<b>1,303,226</b>	<b>1,204,054</b>	<b>99,172</b>
<b>Balance at December 31, 2020</b>	<b>\$ 32,297,554</b>	<b>\$ 20,481,694</b>	<b>\$ 11,815,860</b>

The plan's fiduciary net position represents 63.42 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
<b>Balance at June 30, 2020</b>	\$ 76,199,231	\$ 44,862,168	\$ 31,337,063
Changes for the year:			
Service cost	986,507	-	986,507
Interest	5,308,340	-	5,308,340
Changes in benefits	141,617	-	141,617
Differences between expected and actual experience	413,311	-	413,311
Changes in assumptions	3,994,255	-	3,994,255
Contributions - Employer	-	4,639,422	(4,639,422)
Contributions - Employee	-	382,803	(382,803)
Net investment income	-	14,060,595	(14,060,595)
Benefit payments, including refunds	(6,948,017)	(6,948,017)	-
<b>Net changes</b>	<b>3,896,013</b>	<b>12,134,803</b>	<b>(8,238,790)</b>
<b>Balance at June 30, 2021</b>	<b>\$ 80,095,244</b>	<b>\$ 56,996,971</b>	<b>\$ 23,098,273</b>

The plan's fiduciary net position represents 71.16 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, 2021, the City recognized pension expense of \$1,845,242 and \$3,344,117 from the Municipal Employees' Retirement System and the Policemen and Firemen Retirement System, respectively.



June 30, 2021

**Note 11 - Pension Plans (Continued)**

At June 30, 2021, 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	\$ 23,698	\$ -	\$ 1,362,824	\$ (76,031)
Changes in assumptions	658,203	-	3,675,570	-
Net difference between projected and actual earnings on pension plan investments	-	(782,505)	-	(5,056,766)
Employer contributions to the plan subsequent to the measurement date	509,605	-	-	-
<b>Total</b>	<b>\$ 1,191,506</b>	<b>\$ (782,505)</b>	<b>\$ 5,038,394</b>	<b>\$ (5,132,797)</b>

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
2022	\$ 522,274	\$ 559,980
2023	34,293	388,392
2024	(427,987)	(145,562)
2025	(229,184)	(1,211,115)
2026	-	313,902

**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)	7.60%	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, 2020 valuation were based on the results of a five-year actuarial experience study from 2013 to 2018 dated February 14, 2020.

***\*\*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, 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, 2020 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.

June 30, 2021

**Note 11 - Pension Plans (Continued)**

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	7.60%	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	7.60%	7.00%

***Investment Rate of Return***

Best estimates of arithmetic real rates of return as of the December 31, 2019 MERS measurement date and June 30, 2020 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 %	5.25 %
Global fixed income	20.00	1.25
Private equity	20.00	7.25

**Policemen and Firemen Retirement System**

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equities	35.00 %	6.10 %
International equities	25.00	5.00
Fixed income	18.00	1.60
Real estate	5.00	5.50
Absolute return/Hedge funds	5.00	3.00
Private equity	10.00	6.70
Cash or cash equivalents	2.00	0.80

**Note 11 - Pension Plans (Continued)**

***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 7.60 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	\$ 15,336,201	\$ 11,815,860	\$ 8,844,898
Net pension liability of the Policemen and Firemen Retirement System	31,826,939	23,098,273	15,747,017

***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](http://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).

***Assumption Changes***

**Municipal Employees' Retirement System**

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 was an increase to the total pension liability.

**Policemen and Firemen Retirement System**

In the current year, 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 in the current year. Additionally, mortality tables were adjusted from the RP-2014 tables to the Pub-2010 tables. The net impact of these changes was an increase to the total pension liability.

**Note 11 - Pension Plans (Continued)**

**Investment Policy**

The Policemen and Firemen Retirement System’s policy in regard to the allocation of invested assets is established and may be amended by the retirement board by a majority vote of its members. It is the policy of the retirement board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The retirement system’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the retirement board’s adopted asset allocation policy as of June 30, 2021:

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

**Rate of Return**

For the year ended June 30, 2021, the annual money-weighted rate of return on Policemen and Firemen Retirement System investments, net of pension plan investment expense, was 33.58 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Pension Plan Reserves - Policemen and Firemen Retirement System**

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

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

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

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

The balances of the reserve accounts at June 30, 2021 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 50,232,852	\$ 50,232,852
Employee reserve	3,597,527	3,597,527
Employer reserve	-	3,166,592
Total	<u>\$ 53,830,379</u>	<u>\$ 56,996,971</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 plan is vested in the City Council, which consists of seven elected members.

***Benefits Provided***

The Municipal Employees' Retiree Healthcare System and the Policemen and Firemen Retiree Healthcare System provide 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 were closed to new entrants, respectively.

***Employees Covered by Benefit Terms***

The following members were covered by the benefit terms:

	Municipal Employees' Retiree Healthcare System	Policemen and Firemen Retiree Healthcare System
Date of member count	June 30, 2019	June 30, 2019
Inactive plan members or beneficiaries currently receiving benefits	76	86
Active plan members	40	52
Total plan members	116	138

***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, 2021, the City contributed \$1,804,272 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 \$741,065, plus it contributed \$175,000 into a prefunded retiree health care fund, which is reported in these financial statements as a pension and other employee benefit trust fund type.

June 30, 2021

**Note 12 - Other Postemployment Benefit Plans (Continued)**

**Net OPEB Liability**

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

	<u>Municipal Employees' Retiree Healthcare System</u>	<u>Policemen and Firemen Retiree Healthcare System</u>
Measurement date used for the City's net OPEB liability	June 30, 2021	June 30, 2021
Based on a comprehensive actuarial valuation as of	June 30, 2019	June 30, 2019

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

**Municipal Employees' Retiree Healthcare System**

Changes in Net OPEB Liability	Increase (Decrease)		
	<u>Total OPEB Liability</u>	<u>Plan Net Position</u>	<u>Net OPEB Liability</u>
<b>Balance at July 1, 2020</b>	\$ 32,624,052	\$ 3,338,944	\$ 29,285,108
Changes for the year:			
Service cost	405,046	-	405,046
Interest	794,021	-	794,021
Differences between expected and actual experience	(16,797)	-	(16,797)
Changes in assumptions	3,069,319	-	3,069,319
Contributions - Employer*	-	1,011,214	(1,011,214)
Net investment income	-	7,460	(7,460)
Benefit payments, including refunds*	(835,092)	(835,092)	-
Administrative expenses	-	(16,093)	16,093
Net changes	<u>3,416,497</u>	<u>167,489</u>	<u>3,249,008</u>
<b>Balance at June 30, 2021</b>	<u>\$ 36,040,549</u>	<u>\$ 3,506,433</u>	<u>\$ 32,534,116</u>

\*Note that the contributions and benefit payments include implicit benefit payments of \$94,027 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 9.73 percent of the total OPEB liability.

June 30, 2021

**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
<b>Balance at July 1, 2020</b>	\$ 57,797,947	\$ 3,025,981	\$ 54,771,966
Changes for the year:			
Service cost	1,356,976	-	1,356,976
Interest	1,408,479	-	1,408,479
Differences between expected and actual experience	277,494	-	277,494
Changes in assumptions	7,290,191	-	7,290,191
Contributions - Employer*	-	2,089,896	(2,089,896)
Net investment income	-	430	(430)
Benefit payments, including refunds*	(1,974,953)	(1,974,953)	-
Administrative expenses	-	(17,549)	17,549
<b>Net changes</b>	<b>8,358,187</b>	<b>97,824</b>	<b>8,260,363</b>
<b>Balance at June 30, 2021</b>	<b>\$ 66,156,134</b>	<b>\$ 3,123,805</b>	<b>\$ 63,032,329</b>

\*Note that the contributions and benefit payments include implicit benefit payments of \$285,624 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 4.72 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, 2021, the City recognized OPEB expense of \$1,816,452 and \$3,652,378 from the Municipal Employees' Retiree Healthcare System and the Policemen and Firemen Retiree Healthcare System, respectively.

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Municipal Employees' Retiree Healthcare System		Policemen and Firemen Retiree Healthcare System	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (1,564,813)	\$ 393,397	\$ (7,944,132)
Changes in assumptions	2,946,710	-	12,916,408	(149,970)
Net difference between projected and actual earnings on OPEB plan investments	80,255	-	148,471	-
<b>Total</b>	<b>\$ 3,026,965</b>	<b>\$ (1,564,813)</b>	<b>\$ 13,458,276</b>	<b>\$ (8,094,102)</b>

**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
2022	\$ 647,970	\$ 944,704
2023	785,951	1,242,534
2024	12,970	1,948,864
2025	15,261	1,228,072
2026	-	-
Total	<u>\$ 1,462,152</u>	<u>\$ 5,364,174</u>

**Actuarial Assumptions**

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

	Municipal Employees' Retiree Healthcare System	Policemen and Firemen Retiree Healthcare System
Inflation	2.75%	2.75%
Salary increases (including inflation)	3.00%	3.00%
Investment rate of return (net of investment expenses)	1.92%	1.92%
Health care cost trend rate	8.25% graded down to 3.5% after 10 years	8.25% 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 pension experience study issued 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, with a base year of 2010 and future mortality improvements projected using scale MP-2020.

95 percent of preretirement deaths are assumed to be non-duty 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 1.92 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 1.92 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 1.92 percent was applied to all remaining periods.

**Investment Rate of Return**

The investment rate of return was assumed to be 1.92 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 1.92 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 (0.92%)	Current Discount Rate (1.92%)	1 Percentage Point Increase (2.92%)
Net OPEB liability of the Municipal Employees' Retiree Healthcare System	\$ 39,575,502	\$ 32,534,116	\$ 27,056,143
Net OPEB liability of the Policemen and Firemen Retiree Healthcare System	76,422,237	63,032,329	52,745,192

**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 8.25 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 (7.25%)	Current Health Care Cost Trend Rate (8.25%)	1 Percentage Point Increase (9.25%)
Net OPEB liability of the Municipal Employees' Retiree Healthcare System	\$ 26,459,187	\$ 32,534,116	\$ 40,425,089
Net OPEB liability of the Policemen and Firemen Retiree Healthcare System	51,300,963	63,032,329	78,646,328

**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 decreased in the current year to 1.92 percent. The net OPEB liability measured at June 30, 2020 was calculated using a discount rate and investment rate of return of 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, 2020 and June 30, 2021.

As a result of these assumption changes, the total OPEB liability increased by \$3,069,319 and \$7,290,191 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 \$565,885 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 \$1,507,673 for operations of the authority and paid \$737,130 for debt service. For the judgment levy debt, the City paid \$294,045 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, 2021**

**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, 2021, the City abated \$66,129 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.

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## Required Supplemental Information

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Required Supplemental Information  
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Taxes	\$ 16,839,098	\$ 16,839,098	\$ 16,570,427	\$ (268,671)
Reimbursements from other funds	1,214,359	1,214,359	1,165,315	(49,044)
Intergovernmental:				
Federal grants	-	-	1,335,416	1,335,416
State sources	3,666,424	3,666,424	3,634,858	(31,566)
Charges for services	658,000	658,000	476,433	(181,567)
Fines and forfeitures	1,629,000	1,629,000	854,748	(774,252)
Licenses and permits	715,000	715,000	655,929	(59,071)
Interest and rentals	734,000	734,000	616,347	(117,653)
Other revenue	68,000	68,000	242,032	174,032
<b>Total revenue</b>	<b>25,523,881</b>	<b>25,523,881</b>	<b>25,551,505</b>	<b>27,624</b>
<b>Expenditures</b>				
Current services:				
General government:				
City Council	38,558	38,558	38,108	450
Executive	241,359	241,359	251,181	(9,822)
Finance	466,649	466,649	465,839	810
Treasurer	240,265	240,265	245,801	(5,536)
Assessing	197,250	197,250	233,976	(36,726)
Clerk	167,428	167,428	167,171	257
Attorney	153,900	153,900	151,521	2,379
Elections	41,700	41,700	38,418	3,282
Civil Service Commission	500	500	-	500
Nondepartmental	3,471,623	3,471,623	3,289,385	182,238
28th District Court	1,290,788	1,290,788	1,080,585	210,203
Public safety:				
Police	8,388,887	8,388,887	7,842,123	546,764
Fire	4,795,272	4,795,272	4,546,443	248,829
Police reserves	2,700	2,700	125	2,575
Police and Fire Civil Service Commission	17,100	17,100	17,055	45
Building inspections and related	475,454	475,454	500,401	(24,947)
Public works:				
Public services	2,082,275	2,082,275	1,811,807	270,468
Sanitation	1,579,495	1,579,495	1,558,760	20,735
Planning	18,500	18,500	17,186	1,314
City Garage	614,144	614,144	573,713	40,431
Recreation and culture:				
Recreation	645,150	645,150	502,298	142,852
Senior Citizen Center	89,727	89,727	63,245	26,482
Cultural Commission	2,000	2,000	1,742	258
Transfer to other funds	503,000	503,000	353,000	150,000
<b>Total expenditures</b>	<b>25,523,724</b>	<b>25,523,724</b>	<b>23,749,883</b>	<b>1,773,841</b>
<b>Net Change in Fund Balance</b>	<b>157</b>	<b>157</b>	<b>1,801,622</b>	<b>1,801,465</b>
<b>Fund Balance - Beginning of year</b>	<b>3,270,694</b>	<b>3,270,694</b>	<b>3,270,694</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$ 3,270,851</b>	<b>\$ 3,270,851</b>	<b>\$ 5,072,316</b>	<b>\$ 1,801,465</b>

**City of Southgate, Michigan**

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

**Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b>Revenue</b>				
Intergovernmental	\$ 2,008,576	\$ 2,008,576	\$ 2,224,808	\$ 216,232
Interest and rentals	14,000	14,000	106	(13,894)
Total revenue	2,022,576	2,022,576	2,224,914	202,338
<b>Expenditures - Current services - Public works</b>	775,000	775,000	699,577	75,423
<b>Excess of Revenue Over Expenditures</b>	1,247,576	1,247,576	1,525,337	277,761
<b>Other Financing Uses - Transfers out</b>	(502,144)	(502,144)	(556,202)	(54,058)
<b>Net Change in Fund Balance</b>	745,432	745,432	969,135	223,703
<b>Fund Balance - Beginning of year</b>	5,020,512	5,020,512	5,020,512	-
<b>Fund Balance - End of year</b>	<u>\$ 5,765,944</u>	<u>\$ 5,765,944</u>	<u>\$ 5,989,647</u>	<u>\$ 223,703</u>

**City of Southgate, Michigan**

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

**Year Ended June 30, 2021**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Intergovernmental - State sources	\$ 801,418	\$ 801,418	\$ 855,749	\$ 54,331
Interest and rentals	7,000	7,000	53	(6,947)
Total revenue	808,418	808,418	855,802	47,384
<b>Expenditures</b> - Current services - Public works	789,000	789,000	340,114	448,886
<b>Excess of Revenue Over Expenditures</b>	19,418	19,418	515,688	496,270
<b>Other Financing Sources</b> - Transfers in	502,144	502,144	556,202	54,058
<b>Net Change in Fund Balance</b>	521,562	521,562	1,071,890	550,328
<b>Fund Balance</b> - Beginning of year	4,528,070	4,528,070	4,528,070	-
<b>Fund Balance</b> - End of year	<u>\$ 5,049,632</u>	<u>\$ 5,049,632</u>	<u>\$ 5,599,960</u>	<u>\$ 550,328</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, 2021**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b>Revenue</b>				
Special assessments	\$ 1,248,000	\$ 1,248,000	\$ 1,172,651	\$ (75,349)
Interest and rentals	-	-	205	205
Total revenue	1,248,000	1,248,000	1,172,856	(75,144)
<b>Expenditures</b> - Current services - Public works	3,000,000	3,000,000	718,111	2,281,889
<b>Net Change in Fund Balance</b>	(1,752,000)	(1,752,000)	454,745	2,206,745
<b>Fund Balance</b> - Beginning of year	6,490,317	6,490,317	6,490,317	-
<b>Fund Balance</b> - End of year	<u><u>\$ 4,738,317</u></u>	<u><u>\$ 4,738,317</u></u>	<u><u>\$ 6,945,062</u></u>	<u><u>\$ 2,206,745</u></u>



**City of Southgate, Michigan**

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

	<b>Last Eight Fiscal Years*</b>							
	2021	2020	2019	2018	2017	2016**	2015	2014*
<b>Total Pension Liability</b>								
Service cost	\$ 258,060	\$ 275,494	\$ 272,690	\$ 283,916	\$ 288,352	\$ 288,542	\$ 441,569	\$ 452,058
Interest	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	47,392	116,296	400,047	(498,621)	(166,169)	-	(269,570)	-
Changes in assumptions	1,316,405	910,636	-	-	-	(2,921,481)	1,959,499	-
Benefit payments, including refunds	(2,585,748)	(2,333,061)	(2,231,922)	(2,164,694)	(2,083,502)	(1,349,679)	(2,149,366)	(2,264,831)
<b>Net Change in Total Pension Liability</b>	1,303,226	1,265,379	685,890	(121,468)	277,811	(2,917,911)	2,142,732	319,898
<b>Total Pension Liability - Beginning of year</b>	30,994,328	29,728,949	29,043,059	29,164,527	28,886,716	31,804,627	29,661,895	29,341,997
<b>Total Pension Liability - End of year</b>	<b>\$ 32,297,554</b>	<b>\$ 30,994,328</b>	<b>\$ 29,728,949</b>	<b>\$ 29,043,059</b>	<b>\$ 29,164,527</b>	<b>\$ 28,886,716</b>	<b>\$ 31,804,627</b>	<b>\$ 29,661,895</b>
<b>Plan Fiduciary Net Position</b>								
Contributions - Employer	\$ 1,048,404	\$ 903,422	\$ 896,716	\$ 843,022	\$ 973,239	\$ 569,014	\$ 969,014	\$ 882,147
Contributions - Member	219,694	226,881	239,965	234,732	237,005	135,680	286,249	305,790
Net investment income (loss)	2,559,512	2,394,428	(755,459)	2,422,144	1,976,870	(311,386)	(284,404)	2,418,590
Administrative expenses	(37,808)	(41,190)	(38,188)	(38,445)	(39,037)	(71,346)	-	-
Benefit payments, including refunds	(2,585,748)	(2,333,061)	(2,231,922)	(2,164,694)	(2,083,502)	(1,349,679)	(2,149,366)	(2,264,831)
<b>Net Change in Plan Fiduciary Net Position</b>	1,204,054	1,150,480	(1,888,888)	1,296,759	1,064,575	(1,027,717)	(1,178,507)	1,341,696
<b>Plan Fiduciary Net Position - Beginning of year</b>	19,277,640	18,127,160	20,016,048	18,719,289	17,654,714	18,682,431	19,860,938	18,519,242
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 20,481,694</b>	<b>\$ 19,277,640</b>	<b>\$ 18,127,160</b>	<b>\$ 20,016,048</b>	<b>\$ 18,719,289</b>	<b>\$ 17,654,714</b>	<b>\$ 18,682,431</b>	<b>\$ 19,860,938</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 11,815,860</b>	<b>\$ 11,716,688</b>	<b>\$ 11,601,789</b>	<b>\$ 9,027,011</b>	<b>\$ 10,445,238</b>	<b>\$ 11,232,002</b>	<b>\$ 13,122,196</b>	<b>\$ 9,800,957</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	63.42 %	62.20 %	60.97 %	68.92 %	64.19 %	61.12 %	58.74 %	66.96 %
<b>Covered Payroll</b>	\$ 2,104,892	\$ 2,245,264	\$ 2,216,994	\$ 2,362,882	\$ 2,350,053	\$ 2,351,603	\$ 2,380,521	\$ 2,501,902

See notes to required supplemental information.

## City of Southgate, Michigan

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

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**Last Eight Fiscal Years\***

<b>City's Net Pension Liability as a Percentage of Covered Payroll</b>	561.35 %	521.84 %	523.31 %	382.03 %	444.47 %	477.63 %	551.23 %	391.74 %
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\*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 Eight Fiscal Years*							
	2021	2020	2019	2018	2017	2016	2015	2014*
<b>Total Pension Liability</b>								
Service cost	\$ 986,507	\$ 1,015,491	\$ 1,016,409	\$ 984,577	\$ 979,925	\$ 1,005,271	\$ 1,093,031	\$ 1,058,512
Interest	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	141,617	75,000	-	-	-	(993,322)	-	-
Differences between expected and actual experience	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	(6,948,017)	(5,848,852)	(5,649,110)	(5,273,158)	(5,178,850)	(5,257,307)	(5,188,467)	(4,567,523)
<b>Net Change in Total Pension Liability</b>	3,896,013	1,661,700	955,165	1,068,789	4,024,139	825,075	1,022,765	1,262,810
<b>Total Pension Liability - Beginning of year</b>	76,199,231	74,537,531	73,582,366	72,513,577	68,489,438	67,664,363	66,641,598	65,378,788
<b>Total Pension Liability - End of year</b>	<b>\$ 80,095,244</b>	<b>\$ 76,199,231</b>	<b>\$ 74,537,531</b>	<b>\$ 73,582,366</b>	<b>\$ 72,513,577</b>	<b>\$ 68,489,438</b>	<b>\$ 67,664,363</b>	<b>\$ 66,641,598</b>
<b>Plan Fiduciary Net Position</b>								
Contributions - Employer	\$ 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	382,803	368,454	369,558	327,018	377,556	337,603	331,809	359,953
Net investment income (loss)	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	(6,948,017)	(5,848,852)	(5,649,110)	(5,273,158)	(5,178,850)	(5,257,307)	(5,188,467)	(4,567,523)
Other	-	-	-	-	61,473	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	12,134,803	(1,937,092)	17,212	3,531,153	3,678,847	(3,558,441)	(2,790,867)	4,854,478
<b>Plan Fiduciary Net Position - Beginning of year</b>	44,862,168	46,799,260	46,782,048	43,250,895	39,572,048	43,130,489	45,921,356	41,066,878
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 56,996,971</b>	<b>\$ 44,862,168</b>	<b>\$ 46,799,260</b>	<b>\$ 46,782,048</b>	<b>\$ 43,250,895</b>	<b>\$ 39,572,048</b>	<b>\$ 43,130,489</b>	<b>\$ 45,921,356</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 23,098,273</b>	<b>\$ 31,337,063</b>	<b>\$ 27,738,271</b>	<b>\$ 26,800,318</b>	<b>\$ 29,262,682</b>	<b>\$ 28,917,390</b>	<b>\$ 24,533,874</b>	<b>\$ 20,720,242</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	71.16 %	58.87 %	62.79 %	63.58 %	59.65 %	57.78 %	63.74 %	68.91 %
<b>Covered Payroll</b>	\$ 4,984,183	\$ 5,266,008	\$ 5,105,443	\$ 4,841,046	\$ 4,745,297	\$ 4,633,108	\$ 5,047,949	\$ 4,708,305

See notes to required supplemental information.

## City of Southgate, Michigan

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

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**Last Eight Fiscal Years\***

<b>City's Net Pension Liability as a Percentage of Covered Payroll</b>	463.43 %	595.08 %	543.31 %	553.61 %	616.67 %	624.15 %	486.02 %	440.08 %
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\*GASB 67 was implemented for FYE June 30, 2014 and does not require retroactive implementation. Data will be added as information is available until 10 years of such information is available.



## City of Southgate, Michigan

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

	<b>Last Eight Fiscal Years*</b>							
	<b>Years Ended June 30</b>							
	<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	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.

**City of Southgate, Michigan**

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

	<b>Last Five Fiscal Years*</b>				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017*</u>
<b>Total OPEB Liability</b>					
Service cost	\$ 405,046	\$ 503,825	\$ 615,761	\$ 651,218	\$ 620,007
Interest	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	(16,797)	(8,065,161)	(50,687)	(5,151,351)	(215,429)
Changes in assumptions	3,069,319	5,086,775	2,519,868	(291,302)	-
Benefit payments, including refunds	<u>(835,092)</u>	<u>(884,979)</u>	<u>(909,576)</u>	<u>(861,674)</u>	<u>(984,952)</u>
<b>Net Change in Total OPEB Liability</b>	3,416,497	(2,273,220)	3,113,412	(4,369,785)	676,130
<b>Total OPEB Liability - Beginning of year</b>	<u>32,624,052</u>	<u>34,897,272</u>	<u>31,783,860</u>	<u>36,153,645</u>	<u>35,477,515</u>
<b>Total OPEB Liability - End of year</b>	<b><u>\$ 36,040,549</u></b>	<b><u>\$ 32,624,052</u></b>	<b><u>\$ 34,897,272</u></b>	<b><u>\$ 31,783,860</u></b>	<b><u>\$ 36,153,645</u></b>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 1,011,214	\$ 1,043,979	\$ 1,098,233	\$ 936,674	\$ 1,059,952
Net investment income	7,460	110,135	88,403	1,523	14,189
Benefit payments, including refunds	(835,092)	(884,979)	(909,576)	(861,674)	(984,952)
Other	<u>(16,093)</u>	<u>(6,750)</u>	<u>(12,625)</u>	<u>(3,500)</u>	<u>(7,375)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	167,489	262,385	264,435	73,023	81,814
<b>Plan Fiduciary Net Position - Beginning of year</b>	<u>3,338,944</u>	<u>3,076,559</u>	<u>2,812,124</u>	<u>2,739,101</u>	<u>2,657,287</u>
<b>Plan Fiduciary Net Position - End of year</b>	<b><u>\$ 3,506,433</u></b>	<b><u>\$ 3,338,944</u></b>	<b><u>\$ 3,076,559</u></b>	<b><u>\$ 2,812,124</u></b>	<b><u>\$ 2,739,101</u></b>
<b>Net OPEB Liability - Ending</b>	<b><u>\$ 32,534,116</u></b>	<b><u>\$ 29,285,108</u></b>	<b><u>\$ 31,820,713</u></b>	<b><u>\$ 28,971,736</u></b>	<b><u>\$ 33,414,544</u></b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	9.73 %	10.23 %	8.82 %	8.85 %	7.58 %
<b>Covered-employee Payroll</b>	\$ 2,040,647	\$ 2,262,000	\$ 2,471,693	\$ 2,380,737	\$ 2,387,488
<b>Net OPEB Liability as a Percentage of Covered-employee Payroll</b>	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

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

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	<b>Last Five Fiscal Years*</b>				
	<b>Years Ended June 30</b>				
	<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	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.

## City of Southgate, Michigan

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

	Last Five Fiscal Years*				
	2021	2020	2019	2018	2017*
<b>Total OPEB Liability</b>					
Service cost	\$ 1,356,976	\$ 1,002,406	\$ 1,424,070	\$ 1,409,376	\$ 1,375,918
Interest	1,408,479	1,821,354	1,910,366	2,061,757	2,007,629
Changes in benefit terms	-	-	(453,321)	-	-
Differences between expected and actual experience	277,494	(10,464,864)	365,270	(6,193,973)	(31,408)
Changes in assumptions	7,290,191	8,752,282	4,360,400	(495,961)	-
Benefit payments, including refunds	(1,974,953)	(2,004,504)	(1,952,040)	(1,909,038)	(1,787,754)
<b>Net Change in Total OPEB Liability</b>	8,358,187	(893,326)	5,654,745	(5,127,839)	1,564,385
<b>Total OPEB Liability - Beginning of year</b>	57,797,947	58,691,273	53,036,528	58,164,367	56,599,982
<b>Total OPEB Liability - End of year</b>	<b><u>\$ 66,156,134</u></b>	<b><u>\$ 57,797,947</u></b>	<b><u>\$ 58,691,273</u></b>	<b><u>\$ 53,036,528</u></b>	<b><u>\$ 58,164,367</u></b>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 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	(17,549)	(9,249)	-	-	-
Benefit payments, including refunds	(1,974,953)	(2,004,504)	(1,952,040)	(1,909,038)	(1,787,754)
Other	-	-	(12,624)	(3,500)	-
<b>Net Change in Plan Fiduciary Net Position</b>	97,824	428,948	379,841	483,787	260,565
<b>Plan Fiduciary Net Position - Beginning of year</b>	3,025,981	2,597,033	2,217,192	1,733,405	1,472,840
<b>Plan Fiduciary Net Position - End of year</b>	<b><u>\$ 3,123,805</u></b>	<b><u>\$ 3,025,981</u></b>	<b><u>\$ 2,597,033</u></b>	<b><u>\$ 2,217,192</u></b>	<b><u>\$ 1,733,405</u></b>
<b>Net OPEB Liability - Ending</b>	<b><u>\$ 63,032,329</u></b>	<b><u>\$ 54,771,966</u></b>	<b><u>\$ 56,094,240</u></b>	<b><u>\$ 50,819,336</u></b>	<b><u>\$ 56,430,962</u></b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	4.72 %	5.24 %	4.42 %	4.18 %	2.98 %
<b>Covered-employee Payroll</b>	\$ 4,703,250	\$ 5,180,677	\$ 5,074,234	\$ 4,918,780	\$ 5,051,311
<b>Net OPEB Liability as a Percentage of Covered-employee Payroll</b>	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

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

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	<b>Last Five Fiscal Years*</b>				
	<b>Years Ended June 30</b>				
	<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	(4.19)%	0.31 %	0.42 %	(0.33)%	18.39 %

\*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	Other Financing (Uses) Sources	Change in Fund Balance
Amounts per operating statement	\$ 24,386,190	\$ 22,689,121	\$ (153,000)	\$ 1,544,069
Operating transfers budgeted as expenditures	-	153,000	153,000	-
Reimbursements from other funds	1,165,315	1,165,315	-	-
Severance Reserve Fund budgeted separately from the General Fund	-	(257,553)	-	257,553
Amounts per budget statement	<u>\$ 25,551,505</u>	<u>\$ 23,749,883</u>	<u>\$ -</u>	<u>\$ 1,801,622</u>

**June 30, 2021**

***Excess of Expenditures Over Appropriatd Funds***

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Executive	\$ 241,359	\$ 251,181	\$ (9,822)
Treasurer	240,265	245,801	(5,536)
Assessing	197,250	233,976	(36,726)
Building inspections and related	475,454	500,401	(24,947)

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

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## Other Supplemental Information

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# City of Southgate, Michigan

	Special Revenue Funds				
	Parks and Recreation	Community Development Block Grant	Street Paving	Narcotics Enforcement	Library
<b>Assets</b>					
Cash and cash equivalents	\$ 527,935	\$ 399,992	\$ 1,207,263	\$ 492,418	\$ 564,076
Receivables	-	4,717	-	-	13,140
Due from other funds	-	41,340	-	-	-
Prepaid expenses and other assets	-	-	-	-	2,682
<b>Total assets</b>	<b>\$ 527,935</b>	<b>\$ 446,049</b>	<b>\$ 1,207,263</b>	<b>\$ 492,418</b>	<b>\$ 579,898</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 86,584	\$ 59,872	\$ 11,859
Due to other governmental units	39,763	-	-	-	-
Due to other funds	-	327,567	-	-	-
Accrued liabilities and other	-	-	22,500	-	12,189
Unearned revenue	-	118,482	-	-	-
<b>Total liabilities</b>	<b>39,763</b>	<b>446,049</b>	<b>109,084</b>	<b>59,872</b>	<b>24,048</b>
<b>Fund Balances</b>					
Nonspendable - Advance to other funds	-	-	-	-	2,682
Restricted:					
Roads	-	-	1,098,179	-	-
Police	-	-	-	432,546	-
Debt service	-	-	-	-	-
Library	-	-	-	-	553,168
District Court Capital Improvement	-	-	-	-	-
Park and recreation	488,172	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
<b>Total fund balances</b>	<b>488,172</b>	<b>-</b>	<b>1,098,179</b>	<b>432,546</b>	<b>555,850</b>
<b>Total liabilities and fund balances</b>	<b>\$ 527,935</b>	<b>\$ 446,049</b>	<b>\$ 1,207,263</b>	<b>\$ 492,418</b>	<b>\$ 579,898</b>

Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2021

Special Revenue Funds			Capital Projects Funds			District Court	Total
Indigent Defense	SCI 541 Bond	Michigan Transportation Bond	Building Authority	Capital Improvement	Capital Improvement		
\$ 78,022	\$ 4,963	\$ 108,556	\$ 4,869	\$ 963,714	\$ 16,499	\$	\$ 4,368,307
-	-	-	-	-	3,880		21,737
-	-	-	-	-	-		41,340
-	-	-	-	-	-		2,682
<b>\$ 78,022</b>	<b>\$ 4,963</b>	<b>\$ 108,556</b>	<b>\$ 4,869</b>	<b>\$ 963,714</b>	<b>\$ 20,379</b>		<b>\$ 4,434,066</b>
\$ 7,325	\$ -	\$ -	\$ -	\$ -	\$ -	\$	\$ 165,640
-	-	-	-	-	-		39,763
12,868	-	-	-	-	-		340,435
-	-	-	-	175	-		34,864
57,829	-	-	-	-	-		176,311
78,022	-	-	-	175	-		757,013
-	-	-	-	-	-		2,682
-	-	-	-	-	-		1,098,179
-	-	-	-	-	-		432,546
-	4,963	108,556	4,869	-	-		118,388
-	-	-	-	-	-		553,168
-	-	-	-	-	20,379		20,379
-	-	-	-	-	-		488,172
-	-	-	-	713,683	-		713,683
-	-	-	-	249,856	-		249,856
-	4,963	108,556	4,869	963,539	20,379		3,677,053
<b>\$ 78,022</b>	<b>\$ 4,963</b>	<b>\$ 108,556</b>	<b>\$ 4,869</b>	<b>\$ 963,714</b>	<b>\$ 20,379</b>		<b>\$ 4,434,066</b>

**City of Southgate, Michigan**

	Special Revenue Funds				
	Parks and Recreation	Community Development Block Grant	Street Paving	Narcotics Enforcement	Library
<b>Revenue</b>					
Taxes	\$ 714,130	\$ -	\$ 1,329,226	\$ -	\$ 605,412
Intergovernmental:					
Federal grants	-	-	-	10,392	1,408
State sources	-	-	-	74,461	44,692
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Interest and rentals	-	-	199	41	36
Other revenue	5,857	-	4,000	-	15,352
<b>Total revenue</b>	<b>719,987</b>	<b>-</b>	<b>1,333,425</b>	<b>84,894</b>	<b>666,900</b>
<b>Expenditures</b>					
Current services:					
28th District Court	-	-	-	-	-
Public safety	-	-	-	268,198	-
Public works	-	-	959,366	-	-
Recreation and culture -					
Library	-	-	-	-	676,519
Capital outlay	231,815	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>231,815</b>	<b>-</b>	<b>959,366</b>	<b>268,198</b>	<b>676,519</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>488,172</b>	<b>-</b>	<b>374,059</b>	<b>(183,304)</b>	<b>(9,619)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(98,775)
<b>Total other financing (uses) sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(98,775)</b>
<b>Net Change in Fund Balances</b>	<b>488,172</b>	<b>-</b>	<b>374,059</b>	<b>(183,304)</b>	<b>(108,394)</b>
<b>Fund Balances - Beginning of year</b>	<b>-</b>	<b>-</b>	<b>724,120</b>	<b>615,850</b>	<b>664,244</b>
<b>Fund Balances - End of year</b>	<b>\$ 488,172</b>	<b>\$ -</b>	<b>\$ 1,098,179</b>	<b>\$ 432,546</b>	<b>\$ 555,850</b>

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

**Year Ended June 30, 2021**

Special Revenue Funds			Capital Projects Funds		District Court	Total
Indigent Defense	SCI 541 Bond	Michigan Transportation Bond	Building Authority	Capital Improvement	Capital Improvement	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,648,768
-	-	-	-	-	-	11,800
141,552	-	-	-	-	-	260,705
-	-	-	-	-	62,791	62,791
2,844	-	-	-	-	4,536	7,380
-	-	-	-	76	-	352
-	-	-	670,775	133,854	-	829,838
144,396	-	-	670,775	133,930	67,327	3,821,634
144,396	-	-	-	-	-	144,396
-	-	-	-	-	-	268,198
-	-	-	-	-	-	959,366
-	-	-	-	-	-	676,519
-	-	-	-	132,841	183,561	548,217
-	-	-	950,000	-	-	950,000
-	-	-	113,280	-	-	113,280
144,396	-	-	1,063,280	132,841	183,561	3,659,976
-	-	-	(392,505)	1,089	(116,234)	161,658
-	-	-	251,775	-	-	251,775
-	-	-	-	-	-	(98,775)
-	-	-	251,775	-	-	153,000
-	-	-	(140,730)	1,089	(116,234)	314,658
-	4,963	108,556	145,599	962,450	136,613	3,362,395
<b>\$ -</b>	<b>\$ 4,963</b>	<b>\$ 108,556</b>	<b>\$ 4,869</b>	<b>\$ 963,539</b>	<b>\$ 20,379</b>	<b>\$ 3,677,053</b>

Other Supplemental Information  
Combining Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2021

	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	
<b>Assets</b>						
Cash and cash equivalents	\$ 533,349	\$ 1,214,191	\$ 3,005,291	\$ 54,119	\$ 159,546	\$ 4,966,496
Investments:						58,755,846
Certificates of deposit	-	2,292,242	-	-	-	2,292,242
U.S. government securities	1,765,918	-	-	-	-	1,765,918
Stocks and mutual funds	46,128,809	-	-	-	-	46,128,809
Mortgage-backed securities	20,037	-	-	-	-	20,037
Alternative investments	8,548,840	-	-	-	-	8,548,840
Receivables:						
Accrued interest receivable	18	-	-	-	-	18
Other receivables	-	-	-	320	-	320
Due from other governments	-	-	-	-	618,298	618,298
Prepaid expenses and other assets	-	-	118,514	-	-	118,514
Total assets	56,996,971	3,506,433	3,123,805	54,439	777,844	64,459,492
<b>Liabilities - Due to other governmental units</b>	-	-	-	-	777,844	777,844
<b>Net Position</b>						
Restricted:						
Pension	56,996,971	-	-	-	-	56,996,971
Postemployment benefits other than pension	-	3,506,433	3,123,805	-	-	6,630,238
Individuals, organizations, and other governments	-	-	-	54,439	-	54,439
Total net position	<b>\$ 56,996,971</b>	<b>\$ 3,506,433</b>	<b>\$ 3,123,805</b>	<b>\$ 54,439</b>	<b>\$ -</b>	<b>\$ 63,681,648</b>

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

**Year Ended June 30, 2021**

	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	
<b>Additions</b>						
Investment income (loss):						
Interest and dividends	\$ 1,107,599	\$ 28,712	\$ 435	\$ -	\$ -	\$ 1,136,746
Net increase (decrease) in fair value of investments	13,189,328	(21,252)	-	-	-	13,168,076
Investment costs	(236,332)	-	-	-	-	(236,332)
Net investment income	14,060,595	7,460	435	-	-	14,068,490
Contributions:						
Employer	4,639,422	917,187	1,804,272	-	-	7,360,881
Employee	382,803	-	-	-	-	382,803
Total contributions	5,022,225	917,187	1,804,272	-	-	7,743,684
Property tax collections	-	-	-	-	26,400,233	26,400,233
Collections for benefit of Senior Citizens' Trust	-	-	-	64,424	-	64,424
Total additions	19,082,820	924,647	1,804,707	64,424	26,400,233	48,276,831
<b>Deductions</b>						
Benefit payments	6,948,017	757,158	1,706,883	-	-	9,412,058
Tax distributions to other governments	-	-	-	-	26,400,233	26,400,233
Disbursements from Senior Citizens' Trust	-	-	-	9,985	-	9,985
Total deductions	6,948,017	757,158	1,706,883	9,985	26,400,233	35,822,276
<b>Net Increase in Fiduciary Net Position</b>	12,134,803	167,489	97,824	54,439	-	12,454,555
<b>Net Position - Beginning of year</b>	44,862,168	3,338,944	3,025,981	-	-	51,227,093
<b>Net Position - End of year</b>	<b>\$ 56,996,971</b>	<b>\$ 3,506,433</b>	<b>\$ 3,123,805</b>	<b>\$ 54,439</b>	<b>\$ -</b>	<b>\$ 63,681,648</b>