

City of Southgate, Michigan

**Financial Report
with Supplemental Information
June 30, 2015**

City of Southgate, Michigan

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City of Southgate, Michigan

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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, 2015, 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 opinion.

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

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, 2015 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 described in Note 2 to the financial statements, during the year ended June 30, 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result of implementing this pronouncement, the City's net pension liability has been recognized on the government-wide and proprietary statements and, as discussed in Note 2, the beginning of year net position been restated. Our opinion is not modified with respect to this matter.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, retirement system schedules investment returns, changes in the City net pension liability and related ratios, and City contributions, retiree healthcare system schedules of funding progress and employer contributions, and the budgetary comparison schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2015 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.

Plante & Moran, PLLC

October 23, 2015

City of Southgate, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Southgate Michigan's 2015 annual report is presented in conformity with the requirements of GASB No. 34. This annual report consists of a discussion and analysis of the City of Southgate, Michigan's (the "City") financial performance. This provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. 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, 2015:

- Property taxes are the City's single largest source of revenue. The City's taxable value for fiscal year 2015 was \$651,004,831, which represents an increase of \$2,722,980 or 0.4 percent.
- The City closely monitors discretionary spending by performing periodic budget adjustments. As a result, fund balance in the General Fund increased by \$172,496.

Using this Annual Report

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

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

City of Southgate, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

The following tables show, in a condensed format, the net position as of June 20, 2015, compared to the prior year:

	Governmental Activities			Percent Change
	2014	2015	Change	
Other assets	\$ 19,172,060	\$ 17,501,459	\$ (1,670,601)	-9%
Capital assets	<u>63,725,522</u>	<u>64,164,295</u>	<u>438,773</u>	1%
Total assets	82,897,582	81,665,754	(1,231,828)	-1%
Deferred outflows of resources	280,000	5,799,263	5,519,263	1971%
Current liabilities	5,809,790	5,105,724	(704,066)	-12%
Long-term liabilities	<u>52,052,296</u> *	<u>59,141,155</u>	<u>7,088,859</u>	14%
Total liabilities	57,862,086	64,246,879	6,384,793	11%
Deferred inflows of resources	<u>-</u>	<u>142,684</u>	<u>142,684</u>	100%
Net position:				
Net investment in capital assets	53,785,207	55,317,870	1,532,663	3%
Restricted	11,163,920	10,595,641	(568,279)	-5%
Unrestricted	<u>(39,633,631)</u> *	<u>(42,838,057)</u>	<u>(3,204,426)</u>	8%
Total net position	<u>\$ 25,315,496</u>	<u>\$ 23,075,454</u>	<u>\$ (2,240,042)</u>	-9%
	Business-type Activities			Percent Change
	2014	2015	Change	
Other assets	\$ 7,197,700	\$ 6,428,759	\$ (768,941)	-11%
Capital assets	<u>35,070,692</u>	<u>34,930,676</u>	<u>(140,016)</u>	0%
Total assets	42,268,392	41,359,435	(908,957)	-2%
Deferred outflows of resources	-	666,419	666,419	100%
Current liabilities	1,900,151	1,876,138	(24,013)	-1%
Long-term liabilities	<u>12,913,978</u> *	<u>13,416,545</u>	<u>502,567</u>	4%
Total liabilities	14,814,129	15,292,683	478,554	3%
Deferred inflows of resources	<u>-</u>	<u>46,922</u>	<u>46,922</u>	100%
Net position:				
Net investment in capital assets	25,436,258	25,944,007	507,749	2%
Restricted	3,350,214	2,664,141	(686,073)	-20%
Unrestricted	<u>(1,332,209)</u> *	<u>(1,921,899)</u>	<u>(589,690)</u>	44%
Total net position	<u>\$ 27,454,263</u>	<u>\$ 26,686,249</u>	<u>\$ (768,014)</u>	-3%

* Amounts have been restated for the implementation of GASB Statement No. 68

City of Southgate, Michigan

Management's Discussion and Analysis (Continued)

The City's combined net position decreased from approximately \$52.7 million to approximately \$49.8 million, a decrease of approximately 5.5 percent from a year ago. As we look at governmental activities separately from the business-type activities, we can see that net position decreased by approximately \$2,240,000 in governmental activities. Last fiscal year, the net position of the governmental activities decreased by \$368,000. The year-over-year change is primarily the result of program expenses increasing by \$1,614,141 and revenue decreasing by \$257,899. The majority of the revenue decline was the result of fewer operating and capital grants in fiscal year 2015, partially offset by increases in property tax revenue and state-shared revenue.

Business-type activities net position decreased by approximately \$768,000. Business-type activities comprise approximately \$26.7 million of the total net position. Last fiscal year, the net position of the business-type activities increased by \$79,635. The year-over-year change is primarily due to an increase in operating expenses and depreciation of \$782,689. The operating expenses increased primarily due to increased costs of water and sewage disposal services.

Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, decreased by \$3.2 million for governmental activities. The current level of unrestricted net position for our governmental activities stands at a deficit of \$42.8 million. This deficit is driven from the implementation of GASB 68 in the current year with the prior year restatement related to the unfunded pension obligation. Restricted net position for business-type activities totaled \$2,664,141 at June 30, 2015 and decreased by 20 percent from the prior year. Restricted net position reported in governmental activities has limits on its use that are externally imposed by restrictions such as enabling legislation. These resources can only be used for the specific purpose for which they were intended, such as expenditures for the Southgate/Wyandotte drain operation and maintenance, library services, debt service, and narcotics enforcement.

City of Southgate, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

The following table shows, in a condensed format, the current year's net position and changes in net position, compared to the prior two years:

	Governmental Activities			Percent Change
	2014	2015	Change	
Revenue				
Program revenue:				
Charges for services	\$ 5,337,045	\$ 4,974,851	\$ (362,194)	-7%
Operating grants	3,026,887	2,950,812	(76,075)	-3%
Capital grants	657,265	283,565	(373,700)	-57%
General revenue:				
Property taxes	14,741,605	15,129,750	388,145	3%
State-shared revenue	2,858,396	2,927,779	69,383	2%
Investment earnings	8,973	5,191	(3,782)	-42%
Other revenue	52,243	152,567	100,324	192%
Total revenue	26,682,414	26,424,515	(257,899)	-1%
Program Expenses				
General government	4,778,353	5,364,331	585,978	12%
28th District Court	1,334,668	1,523,749	189,081	14%
Public safety	11,218,914	11,782,683	563,769	5%
Public works	7,333,457	7,599,034	265,577	4%
Recreation and cultural	1,906,669	1,935,951	29,282	2%
Interest on long-term debt	478,355	458,809	(19,546)	-4%
Total expenses	27,050,416	28,664,557	1,614,141	6%
Change in Net Position	\$ (368,002)	\$ (2,240,042)	\$ (1,872,040)	509%

The City's total governmental revenues decreased by approximately \$257,000 from the prior year, largely due to the decrease in capital and operating grants received in fiscal year 2015. The City had increases in property taxes, state state-shared revenue, and other revenue but decreases in all other categories.

Overall, current year expenses increased from the prior year by \$1,614,141 or 6 percent.

City of Southgate, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The following table shows, in a condensed format, the current year's net position and changes in net position, compared to the prior year:

	Business-type Activities			Percent
	2014	2015	Change	Change
Operating revenue	\$ 6,912,167	\$ 6,919,357	\$ 7,190	0%
Operating expenses - Other than depreciation	6,597,040	7,369,512	772,472	12%
Depreciation and amortization	<u>1,126,011</u>	<u>1,136,228</u>	<u>10,217</u>	1%
Operating Loss	(810,884)	(1,586,383)	(775,499)	96%
Property tax revenue	1,171,785	1,009,945	(161,840)	-14%
Interest income	8,357	14,180	5,823	70%
Nonoperating grant	-	54,100	54,100	
Interest expense	<u>289,623</u>	<u>(259,856)</u>	<u>(549,479)</u>	-190%
Change in Net Position	<u>\$ 79,635</u>	<u>\$ (768,014)</u>	<u>\$ (847,649)</u>	-1064%

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 Detroit water system. We also provide sewage treatment through the Wayne County downriver sewage disposal system. In the Golf Course Fund, the two biggest factors affecting business are weather and the economy. Since January 2012, the club house has been under new management and the City continues to focus on improving the operating results of the golf course. In the current year, the Water and Sewer Fund had an operating loss of \$1,545,346 while the Golf Course Fund had an operating loss of \$41,037. Excluding depreciation, the Water and Sewer Fund had an operating loss of \$440,729 while the Golf Course Fund had an operating loss of \$9,426.

The City's Funds

The analysis of the City's major funds begins on page 15, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2015 include the General Fund, the Community Development Block Grant Fund, the Southgate-Wyandotte Operation and Maintenance Fund, and the Street Paving Fund.

City of Southgate, Michigan

Management's Discussion and Analysis (Continued)

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of \$10,019,963 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 16.25 percent, or \$2,124,812, of total governmental fund balances. The General Fund's fund balance, which includes the Severance Reserve Fund, increased by \$172,496 from the prior year. Current year net change in fund balance of \$172,496 is comparable to prior year's change of \$196,054.

Fund balance of the Community Development Block Grant Fund increased \$8,799 from the prior year.

The Street Paving Fund, which was considered a nonmajor fund in the prior year, is a classified as a major fund in the current year. The fund balance of the Street Paving Fund decreased by \$1,813,565 from the prior year. This decrease is due to increased construction projects undertaken in the current year.

Fund balance of the Southgate-Wyandotte Operation and Maintenance Fund increased \$35,666 from the prior year. The increase in fund balance is due to a decrease in construction work performed in fiscal year 2015.

General Fund Budgetary Highlights

During the current year, actual revenue exceeded actual expenditures by \$167,256. The City departments overall were under budget by \$551,400. The police department was under budget primarily due the decrease in employee compensation cost than budgeted to an additional contribution made into the Policemen and Firemen Retirement System. Overall, the General Fund's unassigned fund balance increased by \$28,709 in the current year, from \$898,473 a year ago to \$927,182 at June 30, 2015. This represents an increase of approximately 0.1 percent of total General Fund expenditures for the current fiscal year.

Capital Asset and Debt Administration

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

At the end of 2015, the City had approximately \$99.1 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 of this report.

The City's total indebtedness as of June 30, 2015 was \$18.2 million. Of this amount, \$8.7 million represents the City's portion of Wayne County bonds related to the Downriver Sewage Disposal System. Additional information on the City's long-term debt can be found in Note 7 of this report.

City of Southgate, Michigan

Management's Discussion and Analysis (Continued)

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 less than by inflation, before considering new property additions.

We anticipate that the water and sewer rates will have to increase somewhat in 2016. We are in the process of evaluating the amount of increase that will be needed and will likely have a public hearing in 2016 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.

City of Southgate, Michigan

Statement of Net Position June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 13,214,543	\$ 840,957	\$ 14,055,500	\$ 1,678,982
Receivables - Net:				
Property taxes receivable	672	-	672	-
Customer accounts	1,255,336	2,012,039	3,267,375	-
Other receivables	204,663	-	204,663	-
Due from other governmental units	1,215,543	-	1,215,543	71,845
Special assessments receivable	1,241,056	-	1,241,056	-
Due from component units (Note 6)	45,056	-	45,056	-
Due from primary government (Note 6)	-	-	-	3,995
Internal balances (Note 6)	194,089	(194,089)	-	-
Inventory	-	20,788	20,788	-
Prepaid expenses	130,501	23,202	153,703	23,390
Restricted assets (Note 8)	-	2,664,141	2,664,141	-
Investment in joint venture (Note 19)	-	1,061,721	1,061,721	-
Capital assets - Net (Note 5):				
Assets not subject to depreciation	3,386,602	719,371	4,105,973	-
Assets subject to depreciation	60,777,693	34,211,305	94,988,998	663,175
Total assets	81,665,754	41,359,435	123,025,189	2,441,387
Deferred Outflows of Resources				
Deferred charges on refunding	426,565	-	426,565	-
Deferred outflows related to pensions (Notes 14 and 15)	5,372,698	666,419	6,039,117	-
Total deferred outflows of resources	5,799,263	666,419	6,465,682	-
Liabilities				
Accounts payable	958,798	573,034	1,531,832	187,696
Due to component units (Note 6)	3,995	-	3,995	-
Due to primary government (Note 6)	-	-	-	45,056
Cash bonds and deposits	225,218	-	225,218	-
Accrued liabilities and other	819,063	92,750	911,813	1,062
Unearned revenue	1,277,079	-	1,277,079	-
Noncurrent liabilities:				
Due within one year:				
Current portion of compensated absences and other (Note 7)	782,986	59,951	842,937	-
Current portion of long-term debt (Note 7)	1,038,585	1,150,403	2,188,988	-
Due in more than one year:				
Compensated absences and other - Net of current portion (Note 7)	1,431,179	49,050	1,480,229	-
Net retiree healthcare obligation (Notes 16 and 17)	15,066,841	2,283,889	17,350,730	-
Net pension liability (Notes 14 and 15)	34,408,730	3,247,340	37,656,070	-
Long-term debt- Net of current portion (Note 7)	8,234,405	7,836,266	16,070,671	-
Total liabilities	64,246,879	15,292,683	79,539,562	233,814
Deferred Inflows of Resources Related to Pensions (Notes 14 and 15)	142,684	46,922	189,606	-

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Southgate, Michigan

Statement of Net Position (Continued) June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net investment in capital assets	\$ 55,317,870	\$ 25,944,007	\$ 81,261,877	\$ 663,175
Restricted for:				
Street expenses	4,098,484	-	4,098,484	-
Debt service	219,863	-	219,863	-
Capital improvement	233,725	2,664,141	2,897,866	-
Police and fire retirement	141,784	-	141,784	-
Southgate/Wyandotte drain operation and maintenance	4,825,217	-	4,825,217	-
Library	606,001	-	606,001	-
Narcotics enforcement	431,404	-	431,404	-
Low-income housing	9,163	-	9,163	-
Recreation	30,000	-	30,000	-
Unrestricted	(42,838,057)	(1,921,899)	(44,759,956)	1,544,398
Total net position	<u>\$ 23,075,454</u>	<u>\$ 26,686,249</u>	<u>\$ 49,761,703</u>	<u>\$ 2,207,573</u>

City of Southgate, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 5,364,331	\$ 1,025,024	\$ 114,706	\$ -
28th District Court	1,523,749	1,582,746	45,724	-
Public safety	11,782,683	65,301	164,813	283,565
Public services	7,599,034	1,690,907	1,902,710	-
Recreation and culture	1,935,951	610,873	722,859	-
Interest on long-term debt	458,809	-	-	-
Total governmental activities	28,664,557	4,974,851	2,950,812	283,565
Business-type activities:				
Water and Sewer	8,461,940	6,656,738	54,100	-
Golf Course	303,656	262,619	-	-
Total business-type activities	8,765,596	6,919,357	54,100	-
Total primary government	\$ 37,430,153	\$ 11,894,208	\$ 3,004,912	\$ 283,565
Component units:				
Tax Increment Financing Authority	\$ 749,335	\$ -	\$ -	\$ -
Downtown Development Authority	181,963	-	117,743	-
Southern Michigan Information Alliance	597,633	479,284	-	55,000
Total component units	\$ 1,528,931	\$ 479,284	\$ 117,743	\$ 55,000

General revenue:
Property taxes
State-shared revenue
Investment income
Other miscellaneous income

Total general revenues

Change in Net Position

Net Position - As restated - Beginning of year (Note 2)

Net Position - End of year

**Statement of Activities
Year Ended June 30, 2015**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (4,224,601)	\$ -	\$ (4,224,601)	\$ -
104,721	-	104,721	-
(11,269,004)	-	(11,269,004)	-
(4,005,417)	-	(4,005,417)	-
(602,219)	-	(602,219)	-
(458,809)	-	(458,809)	-
(20,455,329)	-	(20,455,329)	-
-	(1,751,102)	(1,751,102)	-
-	(41,037)	(41,037)	-
-	(1,792,139)	(1,792,139)	-
(20,455,329)	(1,792,139)	(22,247,468)	-
-	-	-	(749,335)
-	-	-	(64,220)
-	-	-	(63,349)
-	-	-	(876,904)
15,129,750	1,009,945	16,139,695	679,685
2,927,779	-	2,927,779	-
5,187	14,180	19,367	834
152,571	-	152,571	44,632
18,215,287	1,024,125	19,239,412	725,151
(2,240,042)	(768,014)	(3,008,056)	(151,753)
25,315,496	27,454,263	52,769,759	2,359,326
\$ 23,075,454	\$ 26,686,249	\$ 49,761,703	\$ 2,207,573

City of Southgate, Michigan

Governmental Funds Balance Sheet June 30, 2015

	General Fund	Community Development Block Grant Fund	Southgate - Wyandotte Operation and Maintenance Fund	Street Paving Fund	Other Nonmajor Governmental Funds	Total
Assets						
Cash and investments	\$ 3,119,061	\$ 127,235	\$ 3,468,659	\$ 214,017	\$ 6,280,974	\$ 13,209,946
Receivables - Net:						
Property taxes	672	-	-	-	-	672
Special assessments	-	-	1,241,056	-	-	1,241,056
Customer	-	1,255,336	-	-	-	1,255,336
Other	204,663	-	-	-	-	204,663
Due from other governments	690,665	15,899	150,987	-	357,992	1,215,543
Due from component units (Note 6)	-	-	-	-	45,056	45,056
Due from other funds (Note 6)	158,131	37,340	-	-	-	195,471
Advances to other funds (Note 6)	-	-	-	194,089	-	194,089
Prepaid expenses	130,048	-	-	-	453	130,501
Total assets	<u>\$ 4,303,240</u>	<u>\$ 1,435,810</u>	<u>\$ 4,860,702</u>	<u>\$ 408,106</u>	<u>\$ 6,684,475</u>	<u>\$ 17,692,333</u>
Liabilities						
Accounts payable	\$ 539,004	\$ 600	\$ 35,485	\$ 164,489	\$ 216,818	\$ 956,396
Due to component units (Note 6)	3,995	-	-	-	-	3,995
Due to other funds (Note 6)	214,340	158,131	-	-	-	372,471
Cash bonds and deposits	225,218	-	-	-	-	225,218
Accrued and other liabilities	659,406	-	-	22,500	6,427	688,333
Unearned revenue	-	1,277,079	-	-	-	1,277,079
Total liabilities	1,641,963	1,435,810	35,485	186,989	223,245	3,523,492
Deferred Inflows of Resources						
Unavailable revenue - State sources	506,586	-	-	-	-	506,586
Unavailable revenue - Special assessments	29,879	-	547,993	-	-	577,872
Unavailable revenue - Grants	-	15,899	-	-	-	15,899
Total deferred inflows of resources	536,465	15,899	547,993	-	-	1,100,357

City of Southgate, Michigan

Governmental Funds Balance Sheet (Continued) June 30, 2015

	General Fund	Community Development Block Grant Fund	Southgate - Wyandotte Operation and Maintenance Fund	Street Paving Fund	Other Nonmajor Governmental Funds	Total
Fund Balances						
Nonspendable:						
Prepays	\$ 130,048	\$ -	\$ -	\$ -	\$ 453	\$ 130,501
Long-term receivable	-	-	-	194,089	-	194,089
Restricted:						
Roads	-	-	-	27,028	3,877,367	3,904,395
Narcotics enforcement	-	-	-	-	431,404	431,404
Debt service	-	-	-	-	219,863	219,863
Unspent property tax proceeds - Police and fire pension	141,784	-	-	-	-	141,784
Low-income housing	9,163	-	-	-	-	9,163
Southgate- Wyandotte O&M	-	-	4,277,224	-	-	4,277,224
Library	-	-	-	-	605,548	605,548
District Court capital improvement	-	-	-	-	233,725	233,725
Recreation	30,000	-	-	-	-	30,000
Committed (Note 9)	291,635	-	-	-	835,951	1,127,586
Assigned (Note 9)	595,000	-	-	-	256,919	851,919
Unassigned	927,182	(15,899)	-	-	-	911,283
Total fund balances	<u>2,124,812</u>	<u>(15,899)</u>	<u>4,277,224</u>	<u>221,117</u>	<u>6,461,230</u>	<u>13,068,484</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,303,240</u>	<u>\$ 1,435,810</u>	<u>\$ 4,860,702</u>	<u>\$ 408,106</u>	<u>\$ 6,684,475</u>	<u>\$ 17,692,333</u>

City of Southgate, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2015

Fund Balance Reported in Governmental Funds	\$ 13,068,484
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	64,164,295
Net pension liabilities are not due and payable in the current period and are not reported in the funds	(34,408,730)
Grant revenue and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	1,100,357
Bonds payable and long-term purchase agreements are not due and payable in the current period and are not reported in the funds	(9,272,990)
Deferred charges on bond refundings are amortized over the related bond terms, and are not reported in the funds	426,565
Accrued interest is not due and payable in the current period and is not reported in the funds	(30,730)
Employee compensated absences and other long-term liabilities 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	(2,214,165)
Net retiree healthcare obligations are not due and payable in the current period and are not reported in the funds	(15,066,841)
Deferred inflows from the difference between expected and actual experience of the total pension liability	(142,684)
Deferred outflows from the difference between projected and actual investment earnings of the pension plan and changes in actuarial assumptions	5,372,698
Internal service funds are included as part of governmental activities	<u>79,195</u>
Net Position of Governmental Activities	<u>\$ 23,075,454</u>

City of Southgate, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended June 30, 2015

	General Fund	Community Development Block Grant Fund	Southgate - Wyandotte Operation and Maintenance Fund	Street Paving Fund	Other Nonmajor Governmental Funds	Total
Revenue						
Property taxes	\$ 13,381,091	\$ -	\$ -	\$ 1,201,639	\$ 547,020	\$ 15,129,750
Special assessments	-	-	945,911	-	-	945,911
Licenses and permits	546,084	-	-	-	-	546,084
Federal grants	154,318	76,745	150,987	-	157,199	539,249
State sources	3,031,138	-	-	-	1,898,663	4,929,801
Charges for services	665,981	-	-	-	161,661	827,642
Fines and forfeitures	1,420,495	-	-	-	-	1,420,495
Interest income	1,763	-	980	954	1,490	5,187
Rental income	699,239	-	-	-	-	699,239
Other revenue	112,191	-	-	-	904,794	1,016,985
Total revenue	20,012,300	76,745	1,097,878	1,202,593	3,670,827	26,060,343
Expenditures - Current						
General government	4,530,751	-	-	-	51,727	4,582,478
28th District Court	1,083,199	-	-	-	-	1,083,199
Public safety	10,019,963	-	-	-	284,555	10,304,518
Public services	3,228,276	67,946	1,062,212	3,016,158	1,099,805	8,474,397
Cultural and recreation	668,440	-	-	-	450,973	1,119,413
Capital outlay	-	-	-	-	104,243	104,243
Debt service	-	-	-	-	1,454,039	1,454,039
Total expenditures	19,530,629	67,946	1,062,212	3,016,158	3,445,342	27,122,287
Excess of Revenue Over (Under) Expenditures	481,671	8,799	35,666	(1,813,565)	225,485	(1,061,944)
Other Financing Sources (Uses)						
Face value of debt issue	-	-	-	-	8,760,000	8,760,000
Debt premium or discount	-	-	-	-	65,962	65,962
Transfers in	-	-	-	-	807,680	807,680
Transfers out	(309,175)	-	-	-	(498,505)	(807,680)
Payment to bond refunding escrow agent	-	-	-	-	(8,693,333)	(8,693,333)
Total other financing (uses) sources	(309,175)	-	-	-	441,804	132,629
Net Change in Fund Balances	172,496	8,799	35,666	(1,813,565)	667,289	(929,315)
Fund Balances (Deficit) - Beginning of year	1,952,316	(24,698)	4,241,558	2,034,682	5,793,941	13,997,799
Fund Balances (Deficit) - End of year	\$ 2,124,812	\$ (15,899)	\$ 4,277,224	\$ 221,117	\$ 6,461,230	\$ 13,068,484

City of Southgate, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ (929,315)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	3,421,925
Depreciation expense	(2,983,152)
Net change in revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds	269,565
State-shared revenue earned but not received within 60 days of year end is recorded on the statement of activities	14,606
Increase in net retiree healthcare obligation reported in the statement of activities does not require the use of current resources, and therefore is not reported in the fund statement until it comes due for payment	(2,197,945)
Proceeds from bond issuance including bond premium is revenue in the governmental funds but not in the statement of activities	(8,825,962)
Repayment of bond principal and transfer to escrow for bond refunding is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	9,493,287
The change of the deferred charges on bond refunding balance is recorded in the statement of activities	146,565
Change in accrued interest payable on governmental debt is recorded in the statement of activities	78,374
Net decrease in accumulated employee sick and vacation pay, as well as estimated general liability claims, reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	236,214
The change in net pension liability and deferred inflows and outflows related to pension amounts does not require the use of current resources and is not reported in the governmental funds	(996,092)
Internal service funds are included as part of governmental activities	31,888
Change in Net Position of Governmental Activities	\$ (2,240,042)

City of Southgate, Michigan

Proprietary Funds Statement of Net Position June 30, 2015

	Enterprise Funds			Governmental Activities
	Water and Sewer	Golf Course	Total	Internal Service Fund - Workers' Compensation
Assets				
Current assets:				
Cash and cash equivalents	\$ 835,736	\$ 5,221	\$ 840,957	\$ 4,597
Receivables from sales to customers on account	2,009,161	2,878	2,012,039	-
Due from other funds (Note 6)	-	-	-	177,000
Inventory	20,788	-	20,788	-
Prepaid expenses	21,992	1,210	23,202	-
Total current assets	2,887,677	9,309	2,896,986	181,597
Noncurrent assets:				
Restricted assets (Note 8)	2,664,141	-	2,664,141	-
Investment in joint ventures (Note 19)	1,061,721	-	1,061,721	-
Capital assets - Net (Note 5)	34,364,526	566,150	34,930,676	-
Total noncurrent assets	38,090,388	566,150	38,656,538	-
Total assets	40,978,065	575,459	41,553,524	181,597
Deferred Outflows of Resources Related to Pensions (Note 14)				
	666,419	-	666,419	-
Liabilities				
Current liabilities:				
Accounts payable	552,681	20,353	573,034	2,402
Accrued liabilities and other	88,365	4,385	92,750	100,000
Current portion of compensated absences (Note 7)	59,951	-	59,951	-
Current portion of long-term debt (Note 7)	1,150,403	-	1,150,403	-
Total current liabilities	1,851,400	24,738	1,876,138	102,402
Noncurrent liabilities:				
Advances from other funds (Note 6)	-	194,089	194,089	-
Compensated absences - Net of current portion (Note 7)	49,050	-	49,050	-
Net pension liability (Note 14)	3,247,340	-	3,247,340	-
Net retiree healthcare obligation (Note 16)	2,283,889	-	2,283,889	-
Long-term debt - Net of current portion (Note 7)	7,836,266	-	7,836,266	-
Total noncurrent liabilities	13,416,545	194,089	13,610,634	-
Total liabilities	15,267,945	218,827	15,486,772	102,402
Deferred Inflows of Resources Related to Pensions (Note 14)				
	46,922	-	46,922	-
Net Position				
Net investment in capital assets	25,377,857	566,150	25,944,007	-
Restricted (Note 8)	2,664,141	-	2,664,141	-
Unrestricted	(1,712,381)	(209,518)	(1,921,899)	79,195
Total net position	<u>\$ 26,329,617</u>	<u>\$ 356,632</u>	<u>\$ 26,686,249</u>	<u>\$ 79,195</u>

City of Southgate, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2015

	Enterprise Funds			Governmental Activities
	Water and Sewer	Golf Course	Total	Internal Service Fund - Workers' Compensation
Operating Revenue				
Sale of water	\$ 2,421,621	\$ -	\$ 2,421,621	\$ -
Sewage disposal charges	3,311,279	-	3,311,279	-
Assessments	653,043	-	653,043	-
Other	270,795	-	270,795	-
Greens fees and miscellaneous	-	262,619	262,619	-
Charges to other funds	-	-	-	120,000
Total operating revenue	6,656,738	262,619	6,919,357	120,000
Operating Expenses				
Cost of water produced/purchased	1,815,944	-	1,815,944	-
Cost of sewage treatment	1,568,146	-	1,568,146	-
Operation and maintenance	2,772,018	242,491	3,014,509	-
Overhead and other	941,359	29,554	970,913	-
Contractual services	-	-	-	88,112
Depreciation	1,104,617	31,611	1,136,228	-
Total operating expenses	8,202,084	303,656	8,505,740	88,112
Operating (Loss) Income	(1,545,346)	(41,037)	(1,586,383)	31,888
Nonoperating Revenue (Expenses)				
Property tax collections - EPA levy	1,009,945	-	1,009,945	-
Investment income	14,163	17	14,180	-
Interest expense	(259,856)	-	(259,856)	-
Nonoperating grants	54,100	-	54,100	-
Total nonoperating revenue	818,352	17	818,369	-
Change in Net Position	(726,994)	(41,020)	(768,014)	31,888
Net Position - As restated - Beginning of year (Note 2)	27,056,611	397,652	27,454,263	47,307
Net Position - End of year	<u>\$ 26,329,617</u>	<u>\$ 356,632</u>	<u>\$ 26,686,249</u>	<u>\$ 79,195</u>

City of Southgate, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2015

	Enterprise Funds		Governmental
	Water and	Golf Course	Activities
	Sewer		Workers' Compensation
Cash Flows from Operating Activities			
Receipts from customers	\$ 6,709,005	\$ 259,741	\$ -
Receipts from interfund services and reimbursements	-	-	145,000
Payments to suppliers	(4,940,535)	(240,148)	-
Payments to employees	(1,339,409)	(21,389)	-
Internal activity - Payments to other funds	(115,000)	-	-
Claims paid	-	-	(163,289)
Net cash provided by (used in) operating activities	314,061	(1,796)	(18,289)
Cash Flows from Noncapital Financing Activities - Payments to other funds	-	(10,000)	-
Cash Flows from Capital and Related Financing Activities			
Receipt of nonoperating grants	54,100	-	-
Property taxes (restricted for capital or capital debt)	1,009,945	-	-
Purchase of capital assets	(446,286)	-	-
Principal and interest paid on capital debt	(1,450,883)	(6,664)	-
Net cash used in capital and related financing activities	(833,124)	(6,664)	-
Cash Flows from Investing Activities - Interest received on investments	14,163	17	-
Net Decrease in Cash and Cash Equivalents	(504,900)	(18,443)	(18,289)
Cash and Cash Equivalents - Beginning of year	4,004,777	23,664	22,886
Cash and Cash Equivalents - End of year	<u>\$ 3,499,877</u>	<u>\$ 5,221</u>	<u>\$ 4,597</u>
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and investments	\$ 835,736	\$ 5,221	\$ 4,597
Restricted cash	2,664,141	-	-
Total cash and cash equivalents	<u>\$ 3,499,877</u>	<u>\$ 5,221</u>	<u>\$ 4,597</u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities			
Operating (loss) income	\$ (1,545,346)	\$ (41,037)	\$ 31,888
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Depreciation and amortization	1,104,617	31,611	-
Changes in assets and liabilities:			
Receivables	52,267	(2,878)	-
Due from other funds	-	-	25,000
Inventories	2,491	-	-
Prepaid and other assets	203,717	1	-
Accounts payable	29,801	10,050	(10,177)
Estimated claims liability	-	-	(65,000)
Accrued and other liabilities	466,514	457	-
Net cash provided by (used in) operating activities	<u>\$ 314,061</u>	<u>\$ (1,796)</u>	<u>\$ (18,289)</u>

Noncash Capital and Related Financing Activities - During the current year, debt was issued on behalf of the City in the amount of \$549,926 for construction related to the Downriver Sewage Disposal System. This activity is administered by Wayne County, Michigan.

City of Southgate, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2015

	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 4,379,451	\$ 546,850
Investments:		
Certificate of deposits	2,120,324	-
U.S. government securities	5,010	-
Stocks and mutual funds	58,713,693	-
Mortgage-backed securities	57,698	-
Receivables:		
Accrued interest receivable	194,569	-
Other receivables	207,080	-
Prepaid expenses	109,116	-
Total assets	65,786,941	\$ 546,850
Liabilities		
Accounts payable	87,230	\$ -
Due to other governmental units	-	131,572
Cash bonds and deposits	-	415,278
Total liabilities	87,230	\$ 546,850
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 65,699,711	

City of Southgate, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position Year Ended June 30, 2015

	Pension and Other Employee Benefit Trust Funds
Additions	
Investment income:	
Interest and dividends	\$ 1,823,293
Net decrease in fair value of investments	(2,311,531)
Investment-related expenses	(323,977)
Net investment income	(812,215)
Contributions:	
Employer	6,524,191
Employee	618,058
Total contributions	7,142,249
Total additions - Net	6,330,034
Deductions - Benefit payments	10,078,603
Net Decrease in Net Position Held in Trust	(3,748,569)
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	69,448,280
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 65,699,711</u></u>

City of Southgate, Michigan

Component Units Statement of Net Position June 30, 2015

	Tax Increment Financing Authority	Downtown Development Authority	Southern Michigan Information Alliance	Total
Assets				
Cash and cash equivalents	\$ 1,420,999	\$ 201,919	\$ 56,064	\$ 1,678,982
Due from other governmental units	-	-	71,845	71,845
Due from primary government (Note 6)	-	-	3,995	3,995
Other	-	-	23,390	23,390
Capital assets - Net (Note 5)	-	616,564	46,611	663,175
Total assets	1,420,999	818,483	201,905	2,441,387
Liabilities				
Accounts payable	-	148,366	39,330	187,696
Due to primary government (Note 6)	-	-	45,056	45,056
Accrued liabilities and other	-	1,062	-	1,062
Total liabilities	-	149,428	84,386	233,814
Net Position				
Net investment in capital assets	-	616,564	46,611	663,175
Unrestricted	1,420,999	52,491	70,908	1,544,398
Total net position	<u>\$ 1,420,999</u>	<u>\$ 669,055</u>	<u>\$ 117,519</u>	<u>\$ 2,207,573</u>

City of Southgate, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Tax Increment Financing Authority - Redevelopment	\$ 749,335	\$ -	\$ -	\$ -
Downtown Development Authority - General government	181,963	-	117,743	-
Southern Michigan Information Alliance - Public safety	597,633	479,284	-	55,000
Total component units	\$ 1,528,931	\$ 479,284	\$ 117,743	\$ 55,000
General revenue:				
Property taxes				
Investment income				
Other miscellaneous income				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

**Component Units
Statement of Activities
Year Ended June 30, 2015**

Net (Expense) Revenue and Changes in Net Position			
Tax Increment Financing Authority	Downtown Development Authority	Southern Michigan Information Alliance	Total
\$ (749,335)	\$ -	\$ -	\$ (749,335)
-	(64,220)	-	(64,220)
-	-	(63,349)	(63,349)
(749,335)	(64,220)	(63,349)	(876,904)
512,461	167,224	-	679,685
610	199	25	834
4,200	40,432	-	44,632
517,271	207,855	25	725,151
(5,000)	5,000	-	-
(237,064)	148,635	(63,324)	(151,753)
1,658,063	520,420	180,843	2,359,326
\$ 1,420,999	\$ 669,055	\$ 117,519	\$ 2,207,573

Note I - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the City of Southgate, Michigan:

Reporting Entity

The City of Southgate, Michigan 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. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Blended Component Units - The City of Southgate Building Authority (the "Building Authority") is governed by a board that is appointed by the mayor and approved by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because the 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.

Downtown Development Authority - The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body, which consists of nine individuals, is appointed by the mayor and approved by the City Council. In addition, the DDA's budget is subject to approval by the City.

Note I - Summary of Significant Accounting Policies (Continued)

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

Jointly Governed Organization - Jointly governed organizations are discussed in Note 19.

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 Government Accounting Standards Board.

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. 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 and other items not properly included among program revenue are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these 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 I - Summary of 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 are reported as separate columns in the fund financial statements.

Basis of Accounting

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

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

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

Proprietary funds, fiduciary funds, and component units 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 we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenues were used. The various funds are aggregated into three broad fund types:

Note I - Summary of Significant Accounting Policies (Continued)

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, and capital project funds. The City reports the following funds as “major” governmental funds:

- **General Fund** - The General Fund is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- **Community Development Block Grant Fund** - The Community Development Block Grant Fund accounts for community development grants and rehabilitation lien activity.
- **Southgate-Wyandotte Operations and Maintenance Fund** - The Southgate-Wyandotte Operations and Maintenance Fund accounts for the resources from special assessments that are restricted for the operation and maintenance of the Southgate-Wyandotte Drainage District.
- **Street Paving Fund** - The Street Paving Fund accounts for the resources from the road millage that are restricted for the maintenance and construction of the City's roads.

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

- **Water and Sewer Fund** - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.
- **Golf Course Fund** - The Golf Course Fund accounts for the activities of the clubhouse operations and golf course operations.
- **Internal Service Fund** - The 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 include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include:

- **Pension and Other Employee Benefit Trust Funds** - The Pension and Other Employee Benefit Trust Funds account for the activities of the Policemen and Firemen and Municipal Employees’ Retirement Systems and their related retiree healthcare funds, which accumulate resources for pension benefit payments and postemployment healthcare costs to qualified police and fire and municipal retirees.

Note I - Summary of Significant Accounting Policies (Continued)

- **Agency Funds** - Agency funds account for assets held by the City for individuals, organizations, other governments, or other funds. They are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Interfund activity: During the course of operations, the government 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.

Further, 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, Cash Equivalents, 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 the balance for the principal.

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

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

City of Southgate, Michigan

Notes to Financial Statements June 30, 2015

Note I - Summary of Significant Accounting Policies (Continued)

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

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 fair market 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.

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

Capital Asset Class	Lives
Infrastructure	30-50 years
Water and sewer distribution systems	50-75 years
Buildings and building improvements	50 years
Vehicles	5-10 years
Equipment and machinery	10-20 years

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. 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.

Note I - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three 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 investments. This amount is deferred and amortized over five years. 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 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 pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The deferred inflows of resources related to unavailable revenue is only reported in the governmental fund balance sheet. The governmental funds report unavailable revenue from three sources: grants, state-shared revenue, and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflows of resources related to the differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability 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.

Net Position Flow Assumption - Sometimes the City will 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, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note I - Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Assumption - Sometimes the City will 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. Further, 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 government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

The City's 2014 tax is levied and collectible on July 1, 2014 and is recognized as revenue in the year ended June 30, 2015, when the proceeds of the levy are budgeted and available for the financing of operations.

Note I - Summary of Significant Accounting Policies (Continued)

The 2014 taxable valuation of the City totaled \$651 million, a portion of which is captured by the Downtown Development Authority and the Tax Increment Finance Authority, on which ad valorem taxes levied consisted of 10.1366 mills for the City's operating purposes, 2.4326 mills for refuse, 7.3600 mills for Act 345 police and fire retirement, 0.8800 mills for the library's operating purposes, 1.9334 mills for road construction, 0.0740 mills for Act 349 parks and recreation, and 1.5770 mills for the EPA judgment levy. Prior to the Downtown Development Authority and Tax Increment Finance Authority tax captures, the ad valorem taxes levied raised approximately \$6,584,000 for operations, \$1,580,000 for refuse, \$4,781,000 for police and fire retirement, \$572,000 for the library's operations, \$1,256,000 for road construction, \$48,000 for parks and recreation, and \$1,009,000 for the EPA judgment levy. In the current year, the City executed a sharing agreement with the Downtown Development Authority (DDA) and Tax Increment Finance Authority (TIFA) in which the DDA and TIFA agreed to forego their allowable capture. In 2015, this amounted to \$104,485 and \$301,175 in foregone captures for the DDA and TIFA, respectively. These amounts are recognized in the General Fund as tax revenue.

Pension - The City offers pension benefits to 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 purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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. Investments are reported at fair value.

Other Postemployment Benefit Costs - The City offers retiree healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

Note I - Summary of Significant Accounting Policies (Continued)

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 will be liquidated by the fund from which the employee's salary and wage were earned.

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services 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 proprietary funds include the cost of sales and services, administrative expenses, and 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.

City of Southgate, Michigan

Notes to Financial Statements June 30, 2015

Note 2 - Reporting Change (Prior Period Adjustments)

During the current year, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the government-wide statements and the proprietary funds now include a liability for our unfunded legacy costs. Some of the changes in this net pension liability will be recognized immediately as part of the pension expense measurement, and part will be deferred and recognized over future years. Refer to the pension footnotes (Notes 14 and 15) for further details. This change does not impact the General Fund or any other governmental fund.

The financial statements for the year ended June 30, 2014 have been restated in order to adopt GASB No. 68. The effect of this new accounting standard was a decrease in net position to record the net pension liability at June 30, 2014.

As a result of implementing this statement, the beginning net position of the governmental activities, business-type activities, and Water and Sewer Fund have been restated as indicated:

	<u>Governmental Activities</u>	<u>Business-type Activities and Water and Sewer Fund</u>
Net position - June 30, 2014 - As previously reported	\$ 53,929,298	\$ 29,792,839
Adjustment for implementation of GASB No. 68	<u>(28,613,802)</u>	<u>(2,338,576)</u>
Net position- June 30, 2014 - As restated	<u>\$ 25,315,496</u>	<u>\$ 27,454,263</u>

City of Southgate, Michigan

Notes to Financial Statements June 30, 2015

Note 3 - 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 January 1, 2000 is as follows:

Cumulative deficit at July 1, 2014		\$	(343,391)
Current year permit revenue			451,442
Related expenses:			
Direct costs	\$	349,373	
Estimated indirect costs		31,214	380,587
		<u> </u>	<u> </u>
Current year surplus			70,855
Cumulative deficit at June 30, 2015		\$	<u><u>(272,536)</u></u>

Note 4 - Deposits and Investments

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

City of Southgate, Michigan

Notes to Financial Statements June 30, 2015

Note 4 - 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 and its component units had approximately \$15,994,470 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 \$56,000 of bank deposits, all of which were insured.

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

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

<u>Fiduciary Funds</u>	<u>Fair Value</u>	<u>Less than 5 Years</u>	<u>5 to 15 Years</u>	<u>Over 15 Years</u>
Mortgage-backed securities	\$ 57,698	\$ -	\$ 1,843	\$ 55,855
Federal agencies	5,010	-	-	5,010
Total	<u>\$ 62,708</u>	<u>\$ -</u>	<u>\$ 1,843</u>	<u>\$ 60,865</u>

City of Southgate, Michigan

Notes to Financial Statements June 30, 2015

Note 4 - Deposits and Investments (Continued)

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 year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Fiduciary Funds			
Mortgage-backed securities	\$ 57,698	Not rated	N/A
Federal agencies	5,010	Not rated	N/A
Money market funds	<u>2,702,480</u>	AAA	Moody's
Total	<u>\$ 2,765,188</u>		

Risks 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.

City of Southgate, Michigan

Notes to Financial Statements June 30, 2015

Note 5 - Capital Assets

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

	Balance July 1, 2014	Additions	Disposals	Balance June 30, 2015
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 3,386,602	\$ -	\$ -	\$ 3,386,602
Capital assets being depreciated:				
Infrastructure	78,233,962	3,209,211	-	81,443,173
Buildings and improvements	34,398,234	24,250	-	34,422,484
Machinery and equipment	8,879,958	81,019	-	8,960,977
Vehicles	3,593,762	104,770	(250,000)	3,448,532
Land improvements	2,690,758	2,675	-	2,693,433
Subtotal	127,796,674	3,421,925	(250,000)	130,968,599
Accumulated depreciation:				
Infrastructure	43,469,886	1,839,462	-	45,309,348
Buildings and improvements	12,107,572	710,356	-	12,817,928
Machinery and equipment	7,925,938	159,986	-	8,085,924
Vehicles	2,472,010	170,978	(250,000)	2,392,988
Land improvements	1,482,348	102,370	-	1,584,718
Subtotal	67,457,754	2,983,152	(250,000)	70,190,906
Net capital assets being depreciated	60,338,920	438,773	-	60,777,693
Net capital assets	\$ 63,725,522	\$ 438,773	\$ -	\$ 64,164,295

City of Southgate, Michigan

Notes to Financial Statements June 30, 2015

Note 5 - Capital Assets (Continued)

	Balance July 1, 2014	Reclassifications	Additions	Disposals	Balance June 30, 2015
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 169,445	\$ -	\$ -	\$ -	\$ 169,445
Construction in progress	191,872	(191,872)	549,926	-	549,926
Subtotal	361,317	(191,872)	549,926	-	719,371
Capital assets being depreciated:					
Water and sewer lines	51,613,800	191,872	263,724	-	52,069,396
Buildings and improvements	938,581	-	-	-	938,581
Machinery and equipment	2,213,124	-	27,514	-	2,240,638
Vehicles	1,794,297	-	155,048	-	1,949,345
Land improvements	631,708	-	-	-	631,708
Subtotal	57,191,510	191,872	446,286	-	57,829,668
Accumulated depreciation:					
Water and sewer lines	19,044,104	-	903,001	-	19,947,105
Buildings and improvements	468,262	-	21,683	-	489,945
Machinery and equipment	1,105,485	-	118,371	-	1,223,856
Vehicles	1,553,976	-	74,036	-	1,628,012
Land improvements	310,308	-	19,137	-	329,445
Subtotal	22,482,135	-	1,136,228	-	23,618,363
Net capital assets being depreciated	34,709,375	191,872	(689,942)	-	34,211,305
Net capital assets	<u>\$ 35,070,692</u>	<u>\$ -</u>	<u>\$ (140,016)</u>	<u>\$ -</u>	<u>\$ 34,930,676</u>
Component Units					
	Balance July 1, 2014	Reclassifications	Additions	Disposals	Balance June 30, 2015
Component Unit Activities					
Capital assets being depreciated:					
Machinery and equipment	\$ 210,903	\$ -	\$ -	\$ -	\$ 210,903
Land improvements	-	-	649,015	-	649,015
Subtotal	210,903	-	649,015	-	859,918
Accumulated depreciation:					
Machinery and equipment	142,850	-	21,442	-	164,292
Land improvements	-	-	32,451	-	32,451
Subtotal	142,850	-	53,893	-	196,743
Net capital assets	<u>\$ 68,053</u>	<u>\$ -</u>	<u>\$ 595,122</u>	<u>\$ -</u>	<u>\$ 663,175</u>

City of Southgate, Michigan

Notes to Financial Statements June 30, 2015

Note 5 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 807,489
Public safety	254,889
Public works	1,298,698
Recreation and culture	572,908
District Court	49,168
	<u>49,168</u>
Total governmental activities	<u>\$ 2,983,152</u>

Business-type activities:

Water and Sewer	\$ 1,104,617
Golf	31,611
	<u>31,611</u>
Total business-type activities	<u>\$ 1,136,228</u>

Component unit activities:

Downtown Development Authority	\$ 32,451
Southeastern Michigan Information Alliance	21,442
	<u>21,442</u>
Total component unit activities	<u>\$ 53,893</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Community Development Block Grant Fund	\$ 158,131
Community Development Block Grant Fund	General Fund	37,340
Internal Service Fund - Workers' Compensation Fund	General Fund	177,000
	Total	<u>\$ 372,471</u>
Receivable Fund	Payable Fund	Amount
Advances from/to Other Funds		
Street Paving Fund	Proprietary Fund - Golf Course Fund	<u>\$ 194,089</u>

City of Southgate, Michigan

Notes to Financial Statements June 30, 2015

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

Receivable Fund	Payable Fund	Amount
Due to/from Primary Government and Component Units		
Nonmajor governmental funds	Southeastern Michigan Information Alliance	\$ 45,056
Southeastern Michigan Information Alliance	General Fund	3,995

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

The advance from the Street Paving Fund to the Golf Course Fund was to assist in the financing of the golf course operations.

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

Transfers In	Transfers Out	Amount
Nonmajor governmental funds	General Fund	\$ 309,175
	Nonmajor governmental funds	<u>498,505</u>
	Total nonmajor governmental funds	<u>\$ 807,680</u>

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

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Installment purchase agreements and capital leases are also general obligations of the City.

City of Southgate, Michigan

Notes to Financial Statements June 30, 2015

Note 7 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligations:							
Library Building Authority Refunding Bonds:							
Original issue: \$1,515,000	3.05% -						
Maturing through 2023	4.40%		\$ 795,000	\$ -	\$ 795,000	\$ -	\$ -
2005 Ice Arena Building Authority Refunding Bonds:							
Original issue: \$2,815,000	3.3% -						
Maturing through 2021	4.4%		1,865,000	-	1,865,000	-	-
2002 Recreation Facility Building Authority - Partially refunded:							
Original issue: \$9,995,000							
Maturing through 2015	4.5%		145,000	-	145,000	-	-
2002 Recreation Facility Building Authority Refunding Bonds:							
Original issue: \$6,665,000	3.5% -						
Maturing through 2026	4.5%		6,445,000	-	6,445,000	-	-
Capital Improvement Refunding Bond Series 2015A							
Original issue: \$2,400,000	2.0% -	\$95,000 -					
Maturing through 2023	3.0%	\$375,000	-	2,400,000	25,000	2,375,000	345,000
Issuance premiums			-	65,962	4,123	61,839	8,245
Capital Improvement Refunding Bond Series 2015B							
Original issue: \$6,360,000		\$510,000 -					
Maturing through 2026	2.6%	\$650,000	-	6,360,000	-	6,360,000	550,000
2000 Michigan Transportation Fund installment purchase agreement:							
Original issue: \$695,000							
Maturing through 2014	6.0%		75,000	-	75,000	-	-
Parking lot improvements installment purchase agreement:							
Original issue: \$649,500							
Maturing through 2018	5.17%	\$43,300	129,900	-	43,300	86,600	43,300
28th District Court expansion installment purchase agreement:							
Original issue: \$950,000		\$71,494 -					
Maturing through 2018	4.35%	\$81,236	306,935	-	74,608	232,327	71,494
2006 City Hall heating/cooling capital lease:							
Original issue: \$313,000		\$7,243 -					
Maturing through 2021	4.98%	\$28,522	178,480	-	21,256	157,224	20,546
Total bonds payable			9,940,315	8,825,962	9,493,287	9,272,990	1,038,585
Compensated absences			2,350,379	564,665	720,879	2,194,165	767,956
Self-insurance claims			100,000	15,030	95,030	20,000	15,030
Total governmental activities			<u>\$ 12,390,694</u>	<u>\$ 9,405,657</u>	<u>\$ 10,309,196</u>	<u>\$ 11,487,155</u>	<u>\$ 1,821,571</u>

City of Southgate, Michigan

Notes to Financial Statements June 30, 2015

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
General obligation bonds -							
Sewage Disposal System Bonds (26 issues):							
Original issue: \$18,742,353	2.0% -	\$882,456 -					
Maturing through 2033	5.45%	\$1,131,478	\$ 9,360,698	\$ 549,926	\$ 1,172,104	\$ 8,738,520	\$ 1,131,478
Tank rehabilitation bonds -							
Original issue: \$423,640		\$18,925 -					
Maturing through 2027	8.9%	\$31,751	267,072	-	18,923	248,149	18,925
2013 Golf Course Irrigation Controller installment purchase agreement							
Original issue: \$9,995			6,664	-	6,664	-	-
Maturing through 2015	0%						
Total bonds payable			9,634,434	549,926	1,197,691	8,986,669	1,150,403
Compensated absences			101,595	39,510	32,104	109,001	59,951
Total business-type activities			\$ 9,736,029	\$ 589,436	\$ 1,229,795	\$ 9,095,670	\$ 1,210,354

The Building Authority 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.

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

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 1,030,340	\$ 195,524	\$ 1,225,864	\$ 1,150,403	\$ 196,553	\$ 1,346,956
2017	1,012,916	212,580	1,225,496	1,275,841	168,304	1,444,145
2018	999,168	184,753	1,183,921	1,225,200	131,352	1,356,552
2019	935,823	159,790	1,095,613	1,194,570	110,547	1,305,117
2020	947,139	137,034	1,084,173	1,017,967	70,572	1,088,539
2021-2025	3,635,765	353,963	3,989,728	1,878,261	333,669	2,211,930
2026-2030	650,000	16,900	666,900	1,244,427	125,615	1,370,042
Total	\$ 9,211,151	\$ 1,260,544	\$ 10,471,695	\$ 8,986,669	\$ 1,136,612	\$ 10,123,281

Note 7 - Long-term Debt (Continued)

Current Refundings - During the year, the City issued two Capital Improvement Refunding Bonds: Series 2015A and Series 2015B. Capital Improvement Refunding Bonds, Series 2015A were issued with a par amount of \$2,400,000 and an original issue premium of \$65,962 with an interest rate range from 2.00 to 3.00 percent. The proceeds of this bond were used to refund \$720,000 of outstanding Library Building Authority Refunding Bonds and \$1,630,000 of outstanding 2005 Ice Arena Building Authority Refunding Bonds with interest rates ranging from 3.05 to 4.40 for the Library bond and 3.30 to 4.40 for the Ice Arena bond. The net proceeds of \$2,398,285 (after payment of \$67,678 in underwriting fees, insurance, and other issuance costs) were deposited in an irrevocable trust with an escrow agent and will be held until October 1, 2015, when the proceeds will then be used to pay the outstanding bond. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the government-wide statement of net position. The refunding decreased total debt services payments over the next eight years by approximately \$80,000. The net present value savings from the refunding is approximately \$73,000. The new capital improvement refunding bonds are paid through the Building Authority Fund.

During the year, Capital Improvement Refunding Bonds, Series 2015B were issued with a par amount of \$6,360,000 and an interest rate range of 2.60 percent. The proceeds of this bond were used to refund \$6,165,000 of outstanding partially refunded and refunded 2002 Recreation Facility Building Authority bonds with interest rates ranging from 3.50 to 4.50 percent. The net proceeds of \$6,295,049 (after payment of \$64,951 in underwriting fees, insurance, and other issuance costs) were deposited in an irrevocable trust with an escrow agent and will be held until October 1, 2015, when the proceeds will then be used to pay the outstanding bond. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the government-wide statement of net position. The refunding decreased total debt services payments over the next 11 years by approximately \$454,000. The net present value savings from the refunding is approximately \$387,000. The new capital improvement refunding bonds are paid through the Building Authority Fund.

Refunding Bond - The long-term debt issuance of the 2015 Capital Improvement Refunding Bond Series 2015A resulted in an unamortized bond premium of \$65,962. The unamortized bond premiums will be amortized over the life of the respective bonds through the year 2023.

City of Southgate, Michigan

Notes to Financial Statements June 30, 2015

Note 8 - Restricted Assets

Enterprise Funds

A portion of the water and sewer user fee has been restricted by ordinance to be used solely for the purpose of making capital improvements in the City's water and sewer system. In addition, restricted assets result from the establishment of debt reserves related to Wayne County Sewage Disposal System bonds. The restricted assets at June 30, 2015 consist of the following:

User fee - Cash and certificates of deposit	\$ 668,726
Wayne County Sewage Disposal System bonds - Assets held at the County for future debt payments	<u>1,995,415</u>
Total restricted net position	<u>\$ 2,664,141</u>

Net position in the amount of \$2,664,141 has been restricted. This amount represents restricted assets arising from the water and sewer public improvement, program user charge, as well as unspent property tax collections remitted to the County for future debt service payments on the Wayne County bonds noted above.

Note 9 - Fund Balance Constraints

The detail of the committed and assigned components of fund balance is as follows:

	<u>General Fund</u>	<u>Capital Projects Funds</u>
Fund Balances		
Committed:		
County property tax chargebacks/MTT settlements	\$ 289,000	\$ -
Computer software acquisition	2,635	-
Police cars	-	360,835
Property acquisition	-	115,116
Fire rescue equipment	-	10,000
Fire pumper	-	350,000
Total committed	<u>291,635</u>	<u>835,951</u>
Assigned:		
Workers' compensation	260,000	-
Severance reserve	215,000	-
Future working capital	120,000	-
Capital projects	-	256,919
Total assigned	<u>595,000</u>	<u>256,919</u>
Total committed and assigned fund balances	<u>\$ 886,635</u>	<u>\$ 1,092,870</u>

City of Southgate, Michigan

Notes to Financial Statements June 30, 2015

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

	2015	2014
Unpaid claims - Beginning of year	\$ 265,000	\$ 396,000
Incurred claims, including claims incurred but not reported	17,563	52,305
Claim payments	<u>(162,563)</u>	<u>(183,305)</u>
Unpaid claims - End of year	<u>\$ 120,000</u>	<u>\$ 265,000</u>

Recorded in the accrued and other liabilities of the Workers' Compensation Fund is a liability for \$100,000 related to workers' compensation claims. The remaining amount of unpaid claims liability is recorded as long-term debt.

Note 11 - Pension Plans Description

Municipal Employees' Retirement System

Plan Administration - The Municipal Employees' Retirement Board administers the Municipal Employees' Retirement System (the "Plan") - a single employer defined benefit pension plan that provides pensions for all full-time municipal employees of the City. Benefit terms have been established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process. On October 1, 2015, the City of Southgate transferred this plan to the Municipal Employees' Retirement System of Michigan (MERS).

The financial statements of the 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 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 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.

Note 11 - Pension Plans Description (Continued)

Plan Membership - At June 30, 2015, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	86
Inactive plan members entitled to but not yet receiving benefits	6
Active plan members	<u>46</u>
Total	<u><u>138</u></u>

The Municipal Employees' Retirement System is closed to new hires after July 2, 2011.

Benefits Provided - 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 date at which the sum of age plus years of service equals 80 or more. The annual amount of benefits provided is calculated by total service times 2.25 percent of final average salary for employees hired before July 1, 2008; total service times 1.50 percent of final average salary for employees hired after July 1, 2008; after December 31, 2014, 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 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 non-duty disability retirement at 10 or more years of service and is computed as a regular retirement.

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

Plan members are eligible for non-duty 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 actuarially reduced in accordance with a 100 percent joint and survivor election.

Note 11 - Pension Plans Description (Continued)

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 Retirement Board retains 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. Contribution requirements of plan 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, 2015, the average active member contribution rate was 12 percent of annual pay, and the City's average contribution rate was 40.62 percent of annual payroll.

Policemen and Firemen Retirement System

Plan Administration - The Policemen and Firemen Retirement Board administers the Policemen and Firemen Retirement System (the "Plan") - a single employer defined benefit pension plan that provides pensions for certain police and fire personnel. Benefit terms have been established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process.

The financial statements of the 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 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 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.

Plan Membership - At June 30, 2015, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	89
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>68</u>
Total	<u><u>160</u></u>

Note 11 - Pension Plans Description (Continued)

Benefits Provided - 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, 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 \$89,447.43 after annuity withdrawal, and payable as straight life annuity. Members promoted to command positions on or after July 1, 2006 will be provided the same pension calculations and payout at retirement as they were provided as non-command officers. For Police (COA) members promoted to COA prior to July 1, 2006, the annual benefits are calculated as 2.69 percent of final average compensation times first 25 years of service plus 1 percent of final average compensation times years of service in excess of 25 years, payable as a straight life annuity. Members promoted to COA on or after July 1, 2006 will maintain their current benefits unless the COA agreement provides less. For all current and future COA members, the benefit will be subject to a maximum annual benefit of \$89,447.43 after annuity withdrawal. For Police Patrol members, 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 \$89,447.43 after annuity withdrawal, payable as a straight life annuity. The current Fire Chief and Public Safety Director are subject to a maximum annual benefit cap of \$97,950 after annuity withdrawal, payable as a straight life annuity.

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

All Pension Plan members are eligible for death after retirement survivor's pension which is payable to a surviving spouse, if any, upon the death of a retired member who was receiving a straight life pension which 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 non-duty 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 accrued straight life pension actuarially reduced in accordance with an Option I election.

All Pension Plan members are eligible for 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.

Note 11 - Pension Plans Description (Continued)

All Pension Plan members are eligible for non-duty 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.

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 Retirement Board retains 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. Contribution requirements of plan 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, 2015, the average active member contribution rate was 6.69 percent of annual pay, and the City's average contribution rate was 54.51 percent of annual payroll.

Note 12 - Pension Plan Reserves

Municipal Employees' Retirement System

In accordance with Plan documents, the following reserves are required to be set aside within the pension plan:

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 6 percent. For any employee who terminates before vesting in the pension plan, their balance is 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.

City of Southgate, Michigan

Notes to Financial Statements June 30, 2015

Note 12 - Pension Plan Reserves (Continued)

The balances of the reserve accounts at June 30, 2015 are as follows:

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 28,856,203	\$ 15,734,007
Employee reserve	2,948,424	2,948,424
Employer reserve	N/A	-

Policemen and Firemen Retirement System

In accordance with plan documents, the following reserves are required to be set aside within the pension plan:

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 percent. For any employee who terminates before vesting in the pension plan, their balance is 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, 2015 are as follows:

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 63,343,116	\$ 38,809,244
Employee reserve	4,321,247	4,321,247
Employer reserve	N/A	-

Note 13 - Pension Plan Investments - Policy and Rate of Return

Municipal Employees' Retirement System

Investment Policy - The pension plan'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 pension plan'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 board's adopted asset allocation policy as of June 30, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Global equities	59%
Global fixed income	34%
Gold	4%
Cash	3%

Rate of Return - For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (1.47) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Policemen and Firemen Retirement System

Investment Policy - The pension plan'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 pension plan'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 board's adopted asset allocation policy as of June 30, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Global equities	65%
Global fixed income	28%
Real estate	3%
Cash and cash equivalents	4%

City of Southgate, Michigan

Notes to Financial Statements June 30, 2015

Note 13 - Pension Plan Investments - Policy and Rate of Return (Continued)

Rate of Return - For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (1.20) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 14 - Net Pension Liability - Municipal Employees' Retirement System

The components of the net pension liability of the City at June 30, 2015 were as follows:

Total pension liability	\$ 31,804,627
Plan fiduciary net position	<u>(18,682,431)</u>
City's net pension liability	<u>\$ 13,122,196</u>

Plan fiduciary net position as a percentage of the total pension liability 58.7 %

The City has chosen to use June 30, 2015 as its measurement date for the net pension liability. The June 30, 2015 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of June 30, 2015. The June 30, 2015 total pension liability was determined by an actuarial valuation performed as of June 30, 2014, which used update procedures to roll forward the estimated liability to June 30, 2015.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2014	\$ 29,661,895	\$ 19,860,938	\$ 9,800,957
Service cost	441,569	-	441,569
Interest	2,160,600	-	2,160,600
Differences between expected and actual experience	(269,570)	-	(269,570)
Changes in assumptions	1,959,499	-	1,959,499
Contributions - Employer	-	969,014	(969,014)
Contributions - Employee	-	286,249	(286,249)
Net investment income	-	(284,404)	284,404
Benefit payments, including refunds	<u>(2,149,366)</u>	<u>(2,149,366)</u>	<u>-</u>
Net changes	<u>2,142,732</u>	<u>(1,178,507)</u>	<u>3,321,239</u>
Balance at June 30, 2015	<u>\$ 31,804,627</u>	<u>\$ 18,682,431</u>	<u>\$ 13,122,196</u>

City of Southgate, Michigan

Notes to Financial Statements June 30, 2015

Note 14 - Net Pension Liability - Municipal Employees' Retirement System (Continued)

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

Assumption Changes - An experience study report was prepared in 2014. As a result of the study, the Municipal Employees' Retirement Board adopted several changes to the assumptions that were used in the measurement of the June 30, 2015 total pension liability. These changes included:

- Investment return was lowered from 7.5% to 7.0%
- Wage inflation was lowered from 4.5% to 3.0%
- The mortality table was updated to the RP 2000 Mortality Table projected 20 years with scale BB
- Updated retirement rates
- Updated rates of merit and longevity increases
- Adjusted load for annuity withdrawal at retirement

The net effect of these assumption changes resulted in an increase of total pension liability of \$1,959,499 between June 30, 2014 and June 30, 2015.

For the year ended June 30, 2015, the City recognized pension expense of \$1,786,922. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 189,606
Changes in assumptions	1,378,235	-
Net difference between projected and actual earnings on pension plan investments	<u>1,314,700</u>	<u>-</u>
Total	<u>\$ 2,692,935</u>	<u>\$ 189,606</u>

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

<u>Years Ending June 30</u>	<u>Amount</u>
2016	\$ 829,974
2017	829,974
2018	514,707
2019	328,674

Note 14 - Net Pension Liability - Municipal Employees' Retirement System (Continued)

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 %
Investment rate of return	7.0 % Net of pension plan investment expense, including inflation

Mortality rates were based on the RP2000 Mortality Combined Healthy Tables Projected 20 years with U.S. Projection Scale BB.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study in 2014.

Discount Rate - The discount rate used to measure the total pension liability was 7.0 percent. As a result of an actuarial experience study in 2014, the discount rate changed to 7.0 percent from 7.5 percent which was previously used in the measurement of the total pension liability. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Southgate, Michigan

Notes to Financial Statements June 30, 2015

Note 14 - Net Pension Liability - Municipal Employees' Retirement System (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. Best estimates of arithmetic real rates of return as of June 30, 2015 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 table.

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	8.0 %
Global fixed income	2.9 %
Gold	1.9 %
Cash	1.0 %

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.0 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	<u>1% Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
Net pension liability of the City	\$ 16,589,164	\$ 13,122,196	\$ 9,849,822

Note 15 - Net Pension Liability - Policemen and Firemen Retirement System

The components of the net pension liability of the City at June 30, 2015 were as follows:

Total pension liability	\$ 67,664,363
Plan fiduciary net position	<u>(43,130,489)</u>
City's net pension liability	<u>\$ 24,533,874</u>
Plan fiduciary net position as a percentage of the total pension liability	63.7 %

City of Southgate, Michigan

Notes to Financial Statements June 30, 2015

Note 15 - Net Pension Liability - Policemen and Firemen Retirement System (Continued)

The City has chosen to use June 30, 2015 as its measurement date for the net pension liability. The June 30, 2015 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of June 30, 2015. The June 30, 2015 total pension liability was determined by an actuarial valuation performed as of June 30, 2014, which used update procedures to roll forward the estimated liability to June 30, 2015.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2014	\$ 66,641,598	\$ 45,921,356	\$ 20,720,242
Service cost	1,093,031	-	1,093,031
Interest	4,844,541	-	4,844,541
Differences between expected and actual experience	273,660	-	273,660
Contributions - Employer	-	2,604,211	(2,604,211)
Contributions - Employee	-	331,809	(331,809)
Net investment income	-	(538,420)	538,420
Benefit payments, including refunds	(5,188,467)	(5,188,467)	-
Net changes	1,022,765	(2,790,867)	3,813,632
Balance at June 30, 2015	\$ 67,664,363	\$ 43,130,489	\$ 24,533,874

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

For the year ended June 30, 2015, the City recognized pension expense of \$3,071,661. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 227,737	\$ -
Net difference between projected and actual earnings on pension plan investments	3,118,445	-
Total	\$ 3,346,182	\$ -

Note 15 - Net Pension Liability - Policemen and Firemen Retirement System (Continued)

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

Years Ending <u>June 30</u>	<u>Amount</u>
2016	\$ 825,533
2017	825,533
2018	825,533
2019	825,533
2020	44,050

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.5 %
Investment rate of return	7.5 % Net of pension plan investment expense, including inflation

Mortality rates were based on 90 percent of the 1983 Group Annuity Mortality Table.

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 15 - Net Pension Liability - Policemen and Firemen Retirement System (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. Best estimates of arithmetic real rates of return as of June 30, 2015 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 table.

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	8.0 %
Global fixed income	2.9 %
Real estate	8.0 %
Cash	1.0 %

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Net pension liability of the City	\$ 31,478,140	\$ 24,533,874	\$ 18,618,787

Note 16 - Other Postemployment Benefits - Municipal Employees

Plan Description - The City provides health care and life insurance benefits to all full-time employees upon retirement, in accordance with labor contracts. As of June 30, 2013, the date of the most recent actuarial valuation, 78 general retirees are eligible. In addition, 48 active general employees may be entitled to benefits upon retirement.

The City has established a Municipal Employees' Retiree Health Care Fund to prefund the liability for postemployment benefits related to employees covered under the Municipal Employees' Retirement System. This is a single employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions.

Note 16 - Other Postemployment Benefits - Municipal Employees (Continued)

Funding Policy - The collective bargaining agreements do not require a contribution from employees. Retiree healthcare costs are recognized when 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. For the fiscal year ended June 30, 2015, the City made payments for postemployment health benefit premiums for current general retirees in the age adjusted amount of \$1,069,813, which was paid from governmental funds.

Funding Progress - For the year ended June 30, 2015, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2013. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 2,757,529
Interest on the prior year's net OPEB obligation	506,921
Less adjustment to the annual required contribution	<u>(687,101)</u>
Annual OPEB cost	2,577,349
Amounts contributed:	
Payments of current premiums - Age adjusted	(1,069,813)
Advance funding	<u>(75,000)</u>
Increase in net OPEB obligation	1,432,536
OPEB obligation - Beginning of year	<u>9,216,726</u>
OPEB obligation - End of year	<u>\$ 10,649,262</u>

City of Southgate, Michigan

Notes to Financial Statements June 30, 2015

Note 16 - Other Postemployment Benefits - Municipal Employees (Continued)

Employer contributions and annual OPEB cost data for the current and preceding years are as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Employer Contributions Percentage of ARC Contributed	Net OPEB Obligation
6/30/11	6/30/09	\$ 2,370,630	30.8 %	\$ 5,448,409
6/30/12	6/30/09	2,368,796	37.1	6,788,176
6/30/13	6/30/11	2,427,465	42.8	8,061,788
6/30/14	6/30/11	2,426,703	46.3	9,216,726
6/30/15	6/30/13	2,757,529	41.5	10,649,262

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/09	\$ 2,089,606	\$ 24,924,637	\$ 22,835,031	8.4 %	\$ 3,663,211	623.4 %
6/30/11	2,242,636	26,947,800	24,705,164	8.3	2,994,723	825.0
6/30/13	2,336,803	31,211,885	28,875,082	7.5	2,428,924	1,188.8

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Note 16 - Other Postemployment Benefits - Municipal Employees (Continued)

In the June 30, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.00 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. Both rates included a 4.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized on a dollar amount for all covered members. The remaining amortization period at June 30, 2015 was 24 years.

Note 17 - Other Postemployment Benefits - Police and Fire

Plan Description - The City provides healthcare and life insurance benefits to all full-time employees upon retirement, in accordance with labor contracts. As of June 30, 2013, the date of the most recent actuarial valuation, 83 police and fire retirees are eligible. In addition, 69 active police and fire employees may be entitled to benefits upon retirement.

The healthcare benefit activity related to the employees covered under the Policemen and Firemen Retirement System is recorded in the Act 345 Health Insurance Fund. This is a single employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions.

Funding Policy - The collective bargaining agreements do not require a contribution from employees. Retiree healthcare costs are recognized when 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. For the fiscal year ended June 30, 2015, the City made payments for postemployment health benefit premiums for current police and fire retirees in the age adjusted amount of \$1,806,153, which was paid from the Act 345 Health Insurance Fund, which is reported in this financial statement as a Pension and Other Employee Benefit Trust Fund type.

City of Southgate, Michigan

Notes to Financial Statements June 30, 2015

Note 17 - Other Postemployment Benefits - Police and Fire (Continued)

Funding Progress - For the year ended June 30, 2015, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2013. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 2,668,891
Interest on the prior year's net OPEB obligation	315,919
Less adjustment to the annual required contribution	<u>(221,171)</u>
Annual OPEB cost	2,763,639
Amounts contributed:	
Payments of current premiums	-
Advance funding	<u>(1,806,153)</u>
Increase in net OPEB obligation	957,486
OPEB obligation - Beginning of year	<u>5,743,982</u>
OPEB obligation - End of year	<u>\$ 6,701,468</u>

Employer contributions and annual OPEB cost data for the current and preceding years were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Employer Contributions Percentage of ARC Contributed	Net OPEB Obligation
6/30/11	6/30/09	\$ 2,287,952	58.4 %	\$ 3,556,719
6/30/12	6/30/09	2,348,689	66.3	4,407,701
6/30/13	6/30/11	2,350,185	77.3	5,014,227
6/30/14	6/30/11	2,411,044	73.2	5,743,982
6/30/15	6/30/13	2,668,891	67.7	6,701,468

* The required contribution is expressed to the City as a percentage of payroll.

City of Southgate, Michigan

Notes to Financial Statements June 30, 2015

Note 17 - Other Postemployment Benefits - Police and Fire (Continued)

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/09	\$ 1,520,115	\$ 35,298,507	\$ 33,778,392	4.3 %	\$ 5,847,595	577.6 %
6/30/11	1,212,227	37,133,343	35,921,116	3.3	4,922,456	729.7
6/30/13	1,232,182	41,643,541	40,411,359	3.0	4,966,288	813.7

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the June 30, 2015 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after nine years. Both rates included a 4.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015 was 30 years.

City of Southgate, Michigan

Notes to Financial Statements June 30, 2015

Note 18 - Pension and Other Employee Benefit Trust Funds

The following are condensed financial statements for the individual pension plans and postemployment healthcare plans:

	Municipal Employees' Retirement System	Policemen and Firemen Retirement System	Municipal Employees' Retiree Health Care	Act 345 Health Insurance	Total
Statement of Net Position					
Investments	\$ 18,630,255	\$ 42,848,626	\$ 2,494,510	\$ 1,302,785	\$ 65,276,176
Other assets	67,495	334,154	-	109,116	510,765
Liabilities	15,319	52,289	-	19,622	87,230
Net position	<u>\$ 18,682,431</u>	<u>\$ 43,130,491</u>	<u>\$ 2,494,510</u>	<u>\$ 1,392,279</u>	<u>\$ 65,699,711</u>
Statement of Changes in Net Position					
Investment (loss) income	\$ (284,404)	\$ (538,419)	\$ 7,092	\$ 3,516	\$ (812,215)
Contributions	1,255,263	2,936,020	1,144,813	1,806,153	7,142,249
Benefit payments	2,149,366	5,188,467	1,076,687	1,664,083	10,078,603
Net change in net position	<u>\$ (1,178,507)</u>	<u>\$ (2,790,866)</u>	<u>\$ 75,218</u>	<u>\$ 145,586</u>	<u>\$ (3,748,569)</u>

Note 19 - 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 that provides drainage services to the residents of Southgate and Wyandotte. The venture is administered by the Wayne County Drainage Board. The City paid \$810,504 to Wayne County during the year for operation and maintenance.

The City of Southgate 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, 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 Sewage Disposal System

The City, along with 12 other communities, jointly participates in the Downriver Sewage Disposal System. The City's share of capital assets, restricted assets (for debt service), and related debt is recorded in the Water and Sewer Fund as "investment in joint ventures," and was \$1,061,721 at June 30, 2015. During the year, the City paid \$1,363,423 for operations of the system and \$1,451,995 for debt service.

The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial statements for both joint ventures can be obtained from the County of Wayne's administrative offices at 415 Clifford, Detroit, MI 48226.

Note 20 - Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2015-2016 fiscal year.

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statement's more extensive footnote disclosures and required supplementary information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the City will, after adoption of GASB No. 75, recognize on the face of the financial statements its net OPEB liability. The City is currently evaluating the impact these standards will have on the financial statements when adopted. GASB No. 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB No. 75 is effective one year later.

Required Supplemental Information

City of Southgate, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 13,318,988	\$ 13,318,988	\$ 13,381,091	\$ 62,103
Reimbursements from other funds	1,504,243	1,504,243	1,299,088	(205,155)
Licenses and permits	536,000	536,000	546,084	10,084
Federal grants	46,000	46,000	154,318	108,318
State sources	3,150,443	3,150,443	3,031,138	(119,305)
Charges for services	701,000	701,000	665,981	(35,019)
Fines and forfeitures	1,617,750	1,617,750	1,420,495	(197,255)
Interest income	6,000	6,000	1,763	(4,237)
Rental income	647,108	647,108	699,239	52,131
Other revenue	168,000	168,000	112,191	(55,809)
Total revenue	21,695,532	21,695,532	21,311,388	(384,144)
Expenditures - Current				
General government:				
City Council	36,440	36,440	34,340	2,100
Executive	228,184	240,184	244,197	(4,013)
Finance	426,818	426,818	412,582	14,236
Treasurer	213,086	215,086	211,694	3,392
Assessor	158,552	158,552	152,836	5,716
Clerk	149,449	158,449	155,369	3,080
Elections	37,196	55,196	59,468	(4,272)
Attorney	145,400	145,400	145,404	(4)
Nondepartmental	3,649,955	3,649,955	3,507,712	142,243
Total general government	5,045,080	5,086,080	4,923,602	162,478
28th District Court	1,046,855	1,057,855	1,083,199	(25,344)
Public safety:				
Police	6,358,699	6,311,699	6,009,443	302,256
Fire	3,646,396	3,651,396	3,650,186	1,210
Emergency preparedness	4,790	4,790	-	4,790
Building inspections and related	346,597	346,597	341,628	4,969
Police and Fire Civil Service Commission	6,500	19,500	18,706	794
Total public safety	10,362,982	10,333,982	10,019,963	314,019
Public works:				
Public services	1,964,172	1,939,172	1,884,449	54,723
Sanitation	1,436,279	1,436,279	1,447,277	(10,998)
Planning	9,500	9,500	7,745	1,755
City garage	575,183	575,183	524,514	50,669
Total public works	3,985,134	3,960,134	3,863,985	96,149
Recreation and culture:				
Recreation	586,317	586,317	589,948	(3,631)
Civic Center	-	-	350	(350)
Senior Citizen Center	83,021	83,021	75,254	7,767
Cultural Commission	1,200	3,200	2,888	312
Total recreation and culture	670,538	672,538	668,440	4,098
Transfers to other funds	584,175	584,175	584,175	-
Total expenditures	21,694,764	21,694,764	21,143,364	551,400
Net Change in Fund Balance	768	768	168,024	167,256
Fund Balance - Beginning of year	1,813,168	1,813,168	1,813,168	-
Fund Balance - End of year	\$ 1,813,936	\$ 1,813,936	\$ 1,981,192	\$ 167,256

City of Southgate, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Southgate - Wyandotte Operation and Maintenance Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Special assessments	\$ 1,241,000	\$ 1,241,000	\$ 945,911	\$ (295,089)
Federal grants	-	-	150,987	150,987
Interest income	-	-	980	980
Total revenue	1,241,000	1,241,000	1,097,878	(143,122)
Expenditures - Current - Public works	3,103,036	3,103,036	1,062,212	2,040,824
Net Change in Fund Balance	(1,862,036)	(1,862,036)	35,666	1,897,702
Fund Balance - Beginning of year	4,241,558	4,241,558	4,241,558	-
Fund Balance - End of year	<u>\$ 2,379,522</u>	<u>\$ 2,379,522</u>	<u>\$ 4,277,224</u>	<u>\$ 1,897,702</u>

City of Southgate, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Community Development Block Grant Fund Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
Revenue - Federal grants	\$ 76,745	\$ 76,745	\$ 76,745
Expenditures - Current - Public works	<u>135,230</u>	<u>135,230</u>	<u>67,946</u>
Net Change in Fund Balance	(58,485)	(58,485)	8,799
Fund Balance - Beginning of year	<u>(24,698)</u>	<u>(24,698)</u>	<u>(24,698)</u>
Fund Balance - End of year	<u><u>\$ (83,183)</u></u>	<u><u>\$ (83,183)</u></u>	<u><u>\$ (15,899)</u></u>

City of Southgate, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Street Paving Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,194,105	\$ 1,194,105	\$ 1,201,639	\$ 7,534
Interest income	1,000	1,000	954	(46)
Total revenue	1,195,105	1,195,105	1,202,593	7,488
Expenditures - Public works - Street construction	1,910,000	1,910,000	3,016,158	(1,106,158)
Net Change in Fund Balance	(714,895)	(714,895)	(1,813,565)	(1,098,670)
Fund Balance - Beginning of year	2,034,682	2,034,682	2,034,682	-
Fund Balance - End of year	<u>\$ 1,319,787</u>	<u>\$ 1,319,787</u>	<u>\$ 221,117</u>	<u>\$ (1,098,670)</u>

City of Southgate, Michigan

Required Supplemental Information Municipal Employees' Retirement System Schedule of Investment Returns Last Ten Fiscal Years

	2015	2014	2013*	2012*	2011*	2010*	2009*	2008*	2007*	2006*
Annual money-weighted rate of return, net of investment expense	(1.5)%	13.4 %	- %	- %	- %	- %	- %	- %	- %	- %

* 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 Municipal Employees' Retirement System Schedule of Changes in the City Net Pension Liability and Related Ratios Last Ten Fiscal Years

	2015	2014	2013*	2012*	2011*	2010*	2009*	2008*	2007*	2006*
Total Pension Liability										
Service cost	\$ 441,569	\$ 452,058	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	2,160,600	2,132,671	-	-	-	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(269,570)	-	-	-	-	-	-	-	-	-
Changes in assumptions	1,959,499	-	-	-	-	-	-	-	-	-
Benefit payments, including refund	(2,149,366)	(2,264,831)	-	-	-	-	-	-	-	-
Net change in total pension liability	2,142,732	319,898	-	-	-	-	-	-	-	-
Total pension liability - Beginning of year	29,661,895	29,341,997	-	-	-	-	-	-	-	-
Total pension liability - End of year	<u>\$ 31,804,627</u>	<u>\$ 29,661,895</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan Fiduciary Net Position										
Contributions - Employer	\$ 969,014	\$ 882,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Member	286,249	305,790	-	-	-	-	-	-	-	-
Net investment (loss) income	(284,404)	2,418,590	-	-	-	-	-	-	-	-
Administrative expenses	-	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds	(2,149,366)	(2,264,831)	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	(1,178,507)	1,341,696	-	-	-	-	-	-	-	-
Plan fiduciary net position - Beginning of year	19,860,938	18,519,242	-	-	-	-	-	-	-	-
Plan fiduciary net position - End of year	<u>\$ 18,682,431</u>	<u>\$ 19,860,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Net Pension Liability - Ending	<u>\$ 13,122,196</u>	<u>\$ 9,800,957</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan Fiduciary Net Position as a % of Total Pension Liability	58.74 %	66.96 %	13.4 %	13.4 %	13.4 %	13.4 %	13.4 %	13.4 %	13.4 %	13.4 %
Covered Employee Payroll	\$ 2,380,521	\$ 2,501,902	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Net Pension Liability as a % of Covered Employee Payroll	551.2 %	391.7 %	13.4 %	13.4 %	13.4 %	13.4 %	13.4 %	13.4 %	13.4 %	13.4 %

* 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 Municipal Employees' Retirement System Schedule of City Contributions Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 969,014	\$ 882,147	\$ 875,326	\$ 680,346	\$ 759,141	\$ 862,425	\$ 889,043	\$ 767,755	\$ 747,469	\$ 719,367
Contributions in relation to the actuarially determined contribution	969,014	882,147	891,193	680,346	759,141	862,425	889,043	767,755	747,469	719,367
Contribution Deficiency (Excess)	\$ -	\$ -	\$ (15,867)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 2,380,521	\$ 2,501,902	\$ 2,603,000	\$ 2,995,000	\$ 3,678,000	\$ 3,700,000	\$ 3,800,000	\$ 3,700,000	\$ 3,700,000	\$ 4,000,000
Contributions as a Percentage of Covered Employee Payroll	40.7 %	35.3 %	34.2 %	22.7 %	20.6 %	23.3 %	23.4 %	20.8 %	20.2 %	18.0 %

Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of June 30 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry-age actuarial cost method
Amortization method	Level dollar
Remaining amortization period	22 years
Asset valuation method	4-year smoothed market
Inflation	3.0%
Salary increases	3.0% - 10.6% including inflation
Investment rate of return	7.0% (net of investment and administrative expenses)
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation.
Mortality	RP2000 Mortality Combined Healthy Tables Project 20 years with U.S. Projection Scale BB. Last updated for 2014 valuation.
Other information	None

City of Southgate, Michigan

Required Supplemental Information Policemen and Firemen Retirement System Schedule of Investment Returns Last Ten Fiscal Years

	2015	2014	2013*	2012*	2011*	2010*	2009*	2008*	2007*	2006*
Annual money-weighted rate of return, net of investment expense	(1.20)%	15.8 %	- %	- %	- %	- %	- %	- %	- %	- %

* 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 Policemen and Firemen Retirement System Schedule of Changes in the City Net Pension Liability and Related Ratios Last Ten Fiscal Years

	2015	2014	2013*	2012*	2011*	2010*	2009*	2008*	2007*	2006*
Total Pension Liability										
Service cost	\$ 1,093,031	\$ 1,058,512	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	4,844,541	4,771,821	-	-	-	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	273,660	-	-	-	-	-	-	-	-	-
Changes in assumptions	-	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds	(5,188,467)	(4,567,523)	-	-	-	-	-	-	-	-
Net change in total pension liability	1,022,765	1,262,810	-	-	-	-	-	-	-	-
Total pension liability - Beginning of year	66,641,598	65,378,788	-	-	-	-	-	-	-	-
Total pension liability - End of year	\$ 67,664,363	\$ 66,641,598	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan Fiduciary Net Position										
Contributions - Employer	\$ 2,604,211	\$ 2,649,082	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Member	331,809	359,953	-	-	-	-	-	-	-	-
Net investment (loss) income	(538,420)	6,412,966	-	-	-	-	-	-	-	-
Administrative expenses	-	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds	(5,188,467)	(4,567,523)	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	(2,790,867)	4,854,478	-	-	-	-	-	-	-	-
Plan fiduciary net position - Beginning of year	45,921,356	41,066,878	-	-	-	-	-	-	-	-
Plan fiduciary net position - End of year	\$ 43,130,489	\$ 45,921,356	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Net Pension Liability - Ending	\$ 24,533,874	\$ 20,720,242	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan Fiduciary Net Position as a % of Total Pension Liability	63.74 %	68.91 %	- %	- %	- %	- %	- %	- %	- %	- %
Covered Employee Payroll	\$ 5,047,949	\$ 4,708,305	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Net Pension Liability as a % of Covered Employee Payroll	486.0 %	440.1 %	- %	- %	- %	- %	- %	- %	- %	- %

* 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 Municipal Employees' Retiree Healthcare System Schedule of Funding Progress and Employer Contributions Year Ended June 30, 2015

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/09	\$ 2,089,606	\$ 24,924,637	\$ 22,835,031	8.4	\$ 3,663,211	623.4
6/30/11	2,242,636	26,947,800	24,705,164	8.3	2,994,723	825.0
6/30/13	2,336,803	31,211,885	28,875,082	7.5	2,428,924	1,188.8

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
6/30/10	6/30/07	\$ 2,858,040	32.2
6/30/11	6/30/09	2,370,630	30.8
6/30/12	6/30/09	2,368,796	37.1
6/30/13	6/30/11	2,427,465	42.8
6/30/14	6/30/11	2,426,703	47.6
6/30/15	6/30/13	2,757,529	41.5

*The required contribution is expensed to the City as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2014, the latest actuarial valuation, follows:

Amortization method	Level dollar
Amortization period (perpetual)	24 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	5.5%
Projected salary increases	4.5% - 14%
*Includes inflation at	4.5%
Cost of living adjustments	None

City of Southgate, Michigan

Required Supplemental Information Policemen and Firemen Retiree Healthcare System Schedule of Funding Progress and Employer Contributions Year Ended June 30, 2015

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/09	\$ 1,520,115	\$ 35,298,507	\$ 33,778,392	4.3	\$ 5,847,595	577.6
6/30/11	1,212,227	37,133,343	35,921,116	3.3	4,889,791	734.6
6/30/13	1,232,182	41,643,541	40,411,359	3.0	4,966,288	813.7

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
6/30/10	6/30/07	\$ 2,651,134	54.0
6/30/11	6/30/09	2,287,952	48.1
6/30/12	6/30/09	2,348,689	58.4
6/30/13	6/30/11	2,350,185	66.3
6/30/14	6/30/11	2,411,044	77.3
6/30/15	6/30/13	2,668,891	67.7

*The required contribution is expensed to the City as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2014, the latest actuarial valuation, follows:

Amortization method	Level percent
Amortization period (perpetual)	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	5.5%
Projected salary increases	4.66% - 8.34%
*Includes inflation at	4.5%
Cost of living adjustments	None

City of Southgate, Michigan

Note to Required Supplemental Information Year Ended June 30, 2015

Note - Budgetary Information

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 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 Council shall direct, and notice of such public hearing shall be published at least one month in advance thereof by the clerk.
3. The 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, 2015 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.

City of Southgate, Michigan

Note to Required Supplemental Information (Continued) June 30, 2015

Note - Budgetary Information (Continued)

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 schedule to the fund-based statement of changes in fund balance is as follows:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Change in Fund Balance</u>
General Fund			
Amounts per operating statement	\$ 20,012,300	\$ 19,530,629	\$ 172,496
Operating transfers budgeted as expenditures	-	309,175	-
Reimbursements from other funds	1,299,088	1,299,088	-
Severance Reserve Fund budgeted separately from the General Fund	-	4,472	(4,472)
	<u>\$ 21,311,388</u>	<u>\$ 21,143,364</u>	<u>\$ 168,024</u>
Amounts per budget statement			

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General government:			
Executive	\$ 240,184	\$ 244,197	\$ (4,013)
Elections	55,196	59,468	(4,272)
Attorney	145,400	145,404	(4)
District Court	1,057,855	1,083,199	(25,344)
Public works - Sanitation	1,436,279	1,447,277	(10,998)
Recreation and culture:			
Recreation	586,317	589,948	(3,631)
Civic Center	-	350	(350)

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

Other Supplemental Information

City of Southgate, Michigan

		Special Revenue Funds			
		Major Street	Local Street	Narcotics	
		Fund	Fund	Enforcement	Library
Assets					
Cash and investments		\$ 884,315	\$ 2,832,880	\$ 479,514	\$ 592,261
Receivables - Net		200,336	114,874	-	33,384
Due from component units		-	-	-	-
Prepaid expenses and other assets		-	-	-	453
	Total assets	<u>\$ 1,084,651</u>	<u>\$ 2,947,754</u>	<u>\$ 479,514</u>	<u>\$ 626,098</u>
Liabilities					
Accounts payable		\$ 140,962	\$ 14,076	\$ 48,110	\$ 13,670
Accrued liabilities and other		-	-	-	6,427
	Total liabilities	140,962	14,076	48,110	20,097
Fund Balances					
Nonspendable - Prepays		-	-	-	453
Restricted:					
Roads		943,689	2,933,678	-	-
Narcotics enforcement		-	-	431,404	-
Debt service		-	-	-	-
Library		-	-	-	605,548
District court capital improvement		-	-	-	-
Committed		-	-	-	-
Assigned		-	-	-	-
	Total fund balances	<u>943,689</u>	<u>2,933,678</u>	<u>431,404</u>	<u>606,001</u>
	Total liabilities and fund balances	<u>\$ 1,084,651</u>	<u>\$ 2,947,754</u>	<u>\$ 479,514</u>	<u>\$ 626,098</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015**

Debt Service Funds				Capital Projects Funds		Total Nonmajor Governmental Funds
SCI 541 Bond	Michigan Transportation Bond	Southgate - Wyandotte Drain	Building Authority Fund	Capital Improvement Fund	District Court Capital Improvement	
\$ 4,963	\$ 108,556	\$ -	\$ 106,344	\$ 1,047,814	\$ 224,327	\$ 6,280,974
-	-	-	-	-	9,398	357,992
-	-	-	-	45,056	-	45,056
-	-	-	-	-	-	453
\$ 4,963	\$ 108,556	\$ -	\$ 106,344	\$ 1,092,870	\$ 233,725	\$ 6,684,475
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 216,818
-	-	-	-	-	-	6,427
-	-	-	-	-	-	223,245
-	-	-	-	-	-	453
-	-	-	-	-	-	3,877,367
-	-	-	-	-	-	431,404
4,963	108,556	-	106,344	-	-	219,863
-	-	-	-	-	-	605,548
-	-	-	-	-	233,725	233,725
-	-	-	-	835,951	-	835,951
-	-	-	-	256,919	-	256,919
4,963	108,556	-	106,344	1,092,870	233,725	6,461,230
\$ 4,963	\$ 108,556	\$ -	\$ 106,344	\$ 1,092,870	\$ 233,725	\$ 6,684,475

City of Southgate, Michigan

	Special Revenue Funds			
	Major Street Fund	Local Street Fund	Narcotics Enforcement	Library
Revenue				
Property taxes	\$ -	\$ -	\$ -	\$ 547,020
Federal grants	-	-	157,199	-
State sources	1,249,849	480,123	150,998	17,693
Charges for services	-	-	-	-
Investment income	508	245	196	175
Other revenue	-	151,671	900	43,531
Total revenue	1,250,357	632,039	309,293	608,419
Expenditures - Current				
General government	-	-	-	-
Public safety	-	-	284,555	-
Public works	719,117	380,688	-	-
Recreation and culture - Library	-	-	-	450,973
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest on long-term debt	-	-	-	-
Total expenditures	719,117	380,688	284,555	450,973
Excess of Revenue Over (Under) Expenditures	531,240	251,351	24,738	157,446
Other Financing Sources (Uses)				
Face value of debt issue	-	-	-	-
Debt premium or discount	-	-	-	-
Transfers in	-	312,747	-	-
Transfers out	(390,262)	-	-	(108,243)
Payment to bond refunding escrow agent	-	-	-	-
Total other financing (uses) sources	(390,262)	312,747	-	(108,243)
Net Change in Fund Balances	140,978	564,098	24,738	49,203
Fund Balances - Beginning of year	802,711	2,369,580	406,666	556,798
Fund Balances - End of year	\$ 943,689	\$ 2,933,678	\$ 431,404	\$ 606,001

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2015

Debt Service Funds				Capital Projects Fund		Total Nonmajor Governmental Funds
SCI 541 Bond	Michigan Transportation Bond	Southgate - Wyandotte Drain	Building Authority Fund	Capital Improvement Fund	District Court Capital Improvement	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 547,020
-	-	-	-	-	-	157,199
-	-	-	-	-	-	1,898,663
-	-	-	-	-	161,661	161,661
-	-	-	-	366	-	1,490
-	-	-	705,472	3,220	-	904,794
-	-	-	705,472	3,586	161,661	3,670,827
-	-	51,727	-	-	-	51,727
-	-	-	-	-	-	284,555
-	-	-	-	-	-	1,099,805
-	-	-	-	-	-	450,973
-	-	-	-	98,900	5,343	104,243
-	75,000	-	760,000	-	117,908	952,908
-	2,062	-	479,107	-	19,962	501,131
-	77,062	51,727	1,239,107	98,900	143,213	3,445,342
-	(77,062)	(51,727)	(533,635)	(95,314)	18,448	225,485
-	-	-	8,760,000	-	-	8,760,000
-	-	-	65,962	-	-	65,962
-	77,515	-	417,418	-	-	807,680
-	-	-	-	-	-	(498,505)
-	-	-	(8,693,333)	-	-	(8,693,333)
-	77,515	-	550,047	-	-	441,804
-	453	(51,727)	16,412	(95,314)	18,448	667,289
4,963	108,103	51,727	89,932	1,188,184	215,277	5,793,941
\$ 4,963	\$ 108,556	\$ -	\$ 106,344	\$ 1,092,870	\$ 233,725	\$ 6,461,230

City of Southgate, Michigan

	Pension Trust Funds				
	Municipal Employees' Retirement System	Policemen and Firemen Retirement System	Municipal Employees' Retiree Health Care	Act 345 Health Insurance	Total Pension Trust Funds
Assets					
Cash and cash equivalents	\$ 555,044	\$ 2,147,436	\$ 374,186	\$ 1,302,785	\$ 4,379,451
Investments:					
Certificate of deposits	-	-	2,120,324	-	2,120,324
U.S. government securities	-	5,010	-	-	5,010
Stocks and mutual funds	18,075,211	40,638,482	-	-	58,713,693
Mortgage-backed securities	-	57,698	-	-	57,698
Receivables:					
Accrued interest receivable	67,495	127,074	-	-	194,569
Other receivables	-	207,080	-	-	207,080
Prepaid expenses	-	-	-	109,116	109,116
Total assets	18,697,750	43,182,780	2,494,510	1,411,901	65,786,941
Liabilities					
Accounts payable	15,319	52,289	-	19,622	87,230
Due to other governmental units	-	-	-	-	-
Cash bonds and deposits	-	-	-	-	-
Total liabilities	15,319	52,289	-	19,622	87,230
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 18,682,431	\$ 43,130,491	\$ 2,494,510	\$ 1,392,279	\$ 65,699,711

Other Supplemental Information
Fiduciary Funds
Combining Statement of Fiduciary Net Position
Year Ended June 30, 2015

Agency Funds

Tax Collection	Senior Citizens' Trust	Escrow Fund	Total Agency Funds
\$ 131,572	\$ 59,555	\$ 355,723	\$ 546,850
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ 131,572	\$ 59,555	\$ 355,723	\$ 546,850
\$ -	\$ -	\$ -	\$ -
131,572	-	-	131,572
-	59,555	355,723	415,278
\$ 131,572	\$ 59,555	\$ 355,723	\$ 546,850

City of Southgate, Michigan

Other Supplemental Information Fiduciary Funds Combining Statement of Changes in Fiduciary Net Position Year Ended June 30, 2015

	Municipal Employees' Retirement System	Policemen and Firemen Retirement System	Municipal Employees' Retiree Health Care	Act 345 Health Insurance	Total
Additions					
Investment income (loss):					
Interest and dividends	\$ 590,483	\$ 1,221,846	\$ 7,448	\$ 3,516	\$ 1,823,293
Net decrease in fair value of investments	(768,348)	(1,542,827)	(356)	-	(2,311,531)
Investment-related expenses	(106,539)	(217,438)	-	-	(323,977)
Net investment (loss) income	(284,404)	(538,419)	7,092	3,516	(812,215)
Contributions:					
Employer	969,014	2,604,211	1,144,813	1,806,153	6,524,191
Employee	286,249	331,809	-	-	618,058
Net contributions	1,255,263	2,936,020	1,144,813	1,806,153	7,142,249
Total additions - Net	970,859	2,397,601	1,151,905	1,809,669	6,330,034
Deductions - Benefit payments	2,149,366	5,188,467	1,076,687	1,664,083	10,078,603
Net (Decrease) Increase in Net Position Held in Trust	(1,178,507)	(2,790,866)	75,218	145,586	(3,748,569)
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	19,860,938	45,921,357	2,419,292	1,246,693	69,448,280
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 18,682,431	\$ 43,130,491	\$ 2,494,510	\$ 1,392,279	\$ 65,699,711