

City of Southgate, Michigan

**Financial Report
with Supplemental Information
June 30, 2016**

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, 2016, and the related notes to the financial statements, which collectively comprise the City of Southgate, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2016 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.

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.

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.

Plante & Morse, PLLC

October 21, 2016

City of Southgate, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Southgate, Michigan's 2016 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, 2016. 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, 2016:

- Property taxes are the City's single largest source of revenue. The City's taxable value for fiscal year 2016 was \$658,902,274, which represents an increase of \$7,894,443 or 1.2 percent.
- The City closely monitors discretionary spending by performing periodic budget adjustments. As a result, fund balance in the General Fund increased by \$642,025.
- The City continues to eliminate its outstanding debt in the governmental activities. The City has reduced their outstanding debt since 2009 by 41.5 percent. As a result, the outstanding debt for fiscal year 2016 is \$8,226,251.

Using this Annual Report

This annual report consists of a series of financial statements. The statements 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, 2016, compared to the prior year:

	Governmental Activities			Percent Change
	2015	2016	Change	
Other assets	\$ 17,501,459	\$ 19,786,837	\$ 2,285,378	13%
Capital assets	<u>64,164,295</u>	<u>63,167,823</u>	<u>(996,472)</u>	-2%
Total assets	81,665,754	82,954,660	1,288,906	2%
Deferred outflows of resources	5,799,263	10,101,196	4,301,933	74%
Current liabilities	5,105,724	5,855,247	749,523	15%
Long-term liabilities	<u>59,141,155</u>	<u>63,619,145</u>	<u>4,477,990</u>	8%
Total liabilities	64,246,879	69,474,392	5,227,513	8%
Deferred inflows of resources	<u>142,684</u>	<u>1,582,439</u>	<u>1,439,755</u>	1009%
Net position:				
Net investment in capital assets	55,317,870	55,321,529	3,659	0%
Restricted	10,595,641	11,890,752	1,295,111	12%
Unrestricted	<u>(42,838,057)</u>	<u>(45,213,256)</u>	<u>(2,375,199)</u>	6%
Total net position	<u>\$ 23,075,454</u>	<u>\$ 21,999,025</u>	<u>\$ (1,076,429)</u>	-5%

	Business-type Activities			Percent Change
	2015	2016	Change	
Other assets	\$ 6,428,759	\$ 5,360,523	\$ (1,068,236)	-17%
Capital assets	<u>34,930,676</u>	<u>34,350,661</u>	<u>(580,015)</u>	-2%
Total assets	41,359,435	39,711,184	(1,648,251)	-4%
Deferred outflows of resources	666,419	840,457	174,038	26%
Current liabilities	1,876,138	2,105,875	229,737	12%
Long-term liabilities	<u>13,416,545</u>	<u>11,786,378</u>	<u>(1,630,167)</u>	-12%
Total liabilities	15,292,683	13,892,253	(1,400,430)	-9%
Deferred inflows of resources	<u>46,922</u>	<u>482,399</u>	<u>435,477</u>	928%
Net position:				
Net investment in capital assets	25,944,007	26,586,831	642,824	2%
Restricted	2,664,141	2,506,057	(158,084)	-6%
Unrestricted	<u>(1,921,899)</u>	<u>(2,915,899)</u>	<u>(994,000)</u>	52%
Total net position	<u>\$ 26,686,249</u>	<u>\$ 26,176,989</u>	<u>\$ (509,260)</u>	-2%

City of Southgate, Michigan

Management's Discussion and Analysis (Continued)

The City's combined net position decreased from approximately \$49.8 million to approximately \$48.2 million, a decrease of approximately 3.2 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 \$1,076,000 in governmental activities. Last fiscal year, the net position of the governmental activities decreased by \$2,240,000. The year-over-year change is primarily the result of decreases in general government program expenses.

Business-type activities net position decreased by approximately \$509,000. Business-type activities comprise approximately \$26.2 million of the total net position. Last fiscal year, the net position of the business-type activities decreased by \$768,000. The year-over-year change is primarily due to a slight decrease in operating expenses.

Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, decreased by \$2.4 million for governmental activities and 994,000 for business type activities. The current level of unrestricted net position stands at a deficit of \$45.2 million for governmental activities and a deficit of \$944,000 for business-type activities. This deficit is driven from the implementation of GASB 68 in the prior year. Restricted net position for business-type activities totaled \$2,506,057 at June 30, 2016 and decreased by 6 percent from the prior year. Restricted net position reported in governmental activities has limits on its use that are externally imposed by restrictions such as enabling legislation. These resources can only be used for the specific purpose for which they were intended, such as expenditures for the Southgate/Wyandotte drain operation and maintenance, 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			
	2015	2016	Change	Percent Change
Revenue				
Program revenue:				
Charges for services	\$ 4,974,851	\$ 4,685,139	\$ (289,712)	-6%
Operating grants	2,950,812	3,138,668	187,856	6%
Capital grants	283,565	162,508	(121,057)	-43%
General revenue:				
Property taxes	15,129,750	15,469,245	339,495	2%
State-shared revenue	2,927,779	3,019,662	91,883	3%
Investment earnings	5,187	13,528	8,341	161%
Other revenue	152,571	-	(152,571)	-100%
Total revenue	26,424,515	26,488,750	64,235	0%
Program Expenses				
General government	5,364,331	5,196,595	(167,736)	-3%
28th District Court	1,523,749	1,200,404	(323,345)	-21%
Public safety	11,782,683	12,001,283	218,600	2%
Public works	7,599,034	6,960,298	(638,736)	-8%
Recreation and cultural	1,935,951	1,949,679	13,728	1%
Interest on long-term debt	458,809	256,920	(201,889)	-44%
Total expenses	28,664,557	27,565,179	(1,099,378)	-4%
Change in Net Position	\$ (2,240,042)	\$ (1,076,429)	\$ 1,163,613	-52%

The City's total governmental revenues increased by approximately \$64,000 from the prior year. The City had increases in property taxes, state-shared revenue, and investment earnings but decreases in most other categories.

Overall, current year expenses decreased from the prior year by \$1,099,378 or 4 percent primarily due to decreases in pension expense.

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 Change
	2015	2016	Change	
Operating revenue	\$ 6,919,357	\$ 7,201,186	\$ 281,829	4%
Operating expenses - Other than depreciation	7,369,512	7,254,419	(115,093)	-2%
Depreciation and amortization	<u>1,136,228</u>	<u>1,149,484</u>	<u>13,256</u>	1%
Operating Loss	(1,586,383)	(1,202,717)	383,666	-24%
Property tax revenue	1,009,945	915,795	(94,150)	-9%
Interest income	14,180	17,887	3,707	26%
Nonoperating grant	54,100	-	(54,100)	
Interest expense	<u>(259,856)</u>	<u>(240,225)</u>	<u>19,631</u>	-8%
Change in Net Position	<u>\$ (768,014)</u>	<u>\$ (509,260)</u>	<u>\$ 258,754</u>	-34%

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 \$1,204,805, while the Golf Course Fund had operating income of \$2,088. Excluding depreciation, the Water and Sewer Fund had an operating loss of \$86,934 while the Golf Course Fund had an operating income of \$33,701.

The City's Funds

The analysis of the City's major funds begins on page 14, 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 2016 include the General Fund, the Community Development Block Grant Fund, the Southgate-Wyandotte Operation and Maintenance Fund, and the Local Street 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 \$9,784,041 in the current year. The budget in the General Fund is basically a "maintenance" budget, which means it increases modestly from year to year. The fund balance of the City's General Fund represents 18.5 percent, or \$2,766,837, of total governmental fund balances. The General Fund's fund balance, which includes the Severance Reserve Fund, increased by \$642,025 from the prior year.

Fund balance of the Community Development Block Grant Fund decreased \$51,607 from the prior year.

Fund balance of the Southgate-Wyandotte Operation and Maintenance Fund increased \$797,251 from the prior year. The increase in fund balance is due to a decrease in construction work performed in fiscal year 2016.

General Fund Budgetary Highlights

During the current year, actual revenue exceeded actual expenditures by \$598,478. The City departments overall were under budget by \$639,065. The police department was under budget primarily due unfilled budgetary positions. Overall, the General Fund's unassigned fund balance increased by \$28,435 in the current year, from \$927,182 a year ago to \$955,617 at June 30, 2016.

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 2016, the City had approximately \$97.5 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, 2016 was \$15.9 million. Of this amount, \$7.5 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, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 15,753,896	\$ 883,761	\$ 16,637,657	\$ 1,501,532
Receivables - Net:				
Property taxes receivable	735	-	735	-
Customer accounts	1,199,551	2,106,058	3,305,609	-
Other receivables	186,737	-	186,737	-
Due from other governmental units	980,074	-	980,074	97,932
Special assessments receivable	1,241,481	-	1,241,481	-
Due from component units (Note 6)	45,056	-	45,056	-
Due from primary government (Note 6)	-	-	-	18,645
Internal balances (Note 6)	194,089	(194,089)	-	-
Inventory	-	33,049	33,049	-
Prepaid expenses	185,218	25,687	210,905	-
Restricted assets (Note 8)	-	2,506,057	2,506,057	-
Deposit	-	-	-	13,651
Capital assets - Net (Note 5):				
Assets not subject to depreciation	3,386,602	406,640	3,793,242	-
Assets subject to depreciation	59,781,221	33,944,021	93,725,242	612,419
Total assets	82,954,660	39,711,184	122,665,844	2,244,179
Deferred Outflows of Resources				
Deferred charges on refunding	379,957	-	379,957	-
Deferred outflows related to pensions (Notes 11 and 14)	9,721,239	840,457	10,561,696	-
Total deferred outflows of resources	10,101,196	840,457	10,941,653	-
Liabilities				
Accounts payable	1,315,550	465,051	1,780,601	60,476
Due to other governmental units	176,195	-	176,195	-
Due to component units (Note 6)	18,645	-	18,645	-
Due to primary government (Note 6)	-	-	-	45,056
Cash bonds and deposits	225,161	-	225,161	-
Accrued liabilities and other	1,035,988	541,781	1,577,769	14,881
Unearned revenue	1,272,276	-	1,272,276	-
Noncurrent liabilities:				
Due within one year:				
Current portion of compensated absences and other (Note 7)	790,865	62,623	853,488	-
Current portion of long-term debt (Note 7)	1,020,567	1,036,420	2,056,987	-
Due in more than one year:				
Compensated absences and other - Net of current portion (Note 7)	1,478,754	51,236	1,529,990	-
Net retiree healthcare obligation (Notes 15 and 16)	17,409,397	2,383,650	19,793,047	-
Net pension liability (Notes 11 and 14)	37,525,310	2,624,082	40,149,392	-
Long-term debt- Net of current portion (Note 7)	7,205,684	6,727,410	13,933,094	-
Total liabilities	69,474,392	13,892,253	83,366,645	120,413
Deferred Inflows of Resources Related to Pensions (Notes 11 and 14)	1,582,439	482,399	2,064,838	-

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

City of Southgate, Michigan

Statement of Net Position (Continued) June 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net investment in capital assets	\$ 55,321,529	\$ 26,586,831	\$ 81,908,360	\$ 612,419
Restricted for:				
Street expenses	4,727,732	-	4,727,732	-
Debt service	260,158	-	260,158	-
Capital improvement	222,953	2,506,057	2,729,010	-
Police and fire retirement	468,093	-	468,093	-
Southgate/Wyandotte drain operation and maintenance	5,277,551	-	5,277,551	-
Library	635,587	-	635,587	-
Narcotics enforcement	259,418	-	259,418	-
Low-income housing	9,163	-	9,163	-
Recreation	30,097	-	30,097	-
Unrestricted	(45,213,256)	(2,915,899)	(48,129,155)	1,511,347
Total net position	<u>\$ 21,999,025</u>	<u>\$ 26,176,989</u>	<u>\$ 48,176,014</u>	<u>\$ 2,123,766</u>

City of Southgate, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 5,196,595	\$ 1,034,197	\$ 230,073	\$ -
28th District Court	1,200,404	1,271,945	45,724	-
Public safety	12,001,283	61,645	53,586	162,508
Public services	6,960,298	1,765,971	2,096,334	-
Recreation and culture	1,949,679	551,381	712,951	-
Interest on long-term debt	256,920	-	-	-
Total governmental activities	27,565,179	4,685,139	3,138,668	162,508
Business-type activities:				
Water and Sewer	8,344,810	6,899,780	-	-
Golf Course	299,318	301,406	-	-
Total business-type activities	8,644,128	7,201,186	-	-
Total primary government	\$ 36,209,307	\$ 11,886,325	\$ 3,138,668	\$ 162,508
Component units:				
Tax Increment Financing Authority	\$ 739,662	\$ -	\$ -	\$ -
Downtown Development Authority	199,123	-	16,236	55,000
Southern Michigan Information Alliance	710,587	642,053	-	55,000
Total component units	\$ 1,649,372	\$ 642,053	\$ 16,236	\$ 110,000

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

Total general revenue

Change in Net Position

Net Position - As restated - Beginning of year

Net Position - End of year

**Statement of Activities
Year Ended June 30, 2016**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (3,932,325)	\$ -	\$ (3,932,325)	\$ -
117,265	-	117,265	-
(11,723,544)	-	(11,723,544)	-
(3,097,993)	-	(3,097,993)	-
(685,347)	-	(685,347)	-
(256,920)	-	(256,920)	-
(19,578,864)	-	(19,578,864)	-
-	(1,445,030)	(1,445,030)	-
-	2,088	2,088	-
-	(1,442,942)	(1,442,942)	-
(19,578,864)	(1,442,942)	(21,021,806)	-
-	-	-	(739,662)
-	-	-	(127,887)
-	-	-	(13,534)
-	-	-	(881,083)
15,469,245	915,795	16,385,040	594,031
3,019,662	-	3,019,662	119,533
13,528	17,887	31,415	2,072
-	-	-	81,640
18,502,435	933,682	19,436,117	797,276
(1,076,429)	(509,260)	(1,585,689)	(83,807)
23,075,454	26,686,249	49,761,703	2,207,573
\$ 21,999,025	\$ 26,176,989	\$ 48,176,014	\$ 2,123,766

City of Southgate, Michigan

Governmental Funds Balance Sheet June 30, 2016

	General Fund	Community Development Block Grant Fund	Southgate - Wyandotte Operation and Maintenance Fund	Local Street Fund	Other Nonmajor Governmental Funds	Total
Assets						
Cash and investments	\$ 4,206,647	\$ 103,816	\$ 4,647,787	\$ 3,282,087	\$ 3,511,339	\$ 15,751,676
Receivables - Net:						
Property taxes	735	-	-	-	-	735
Special assessments	-	-	1,241,481	-	-	1,241,481
Customer	-	1,199,551	-	-	-	1,199,551
Other	186,737	-	-	-	-	186,737
Due from other governments	655,453	67,506	-	111,470	145,645	980,074
Due from component units (Note 6)	-	-	-	-	45,056	45,056
Due from other funds (Note 6)	148,246	-	-	-	-	148,246
Advances to other funds (Note 6)	-	-	-	-	194,089	194,089
Prepaid expenses	184,732	-	-	-	486	185,218
Total assets	<u>\$ 5,382,550</u>	<u>\$ 1,370,873</u>	<u>\$ 5,889,268</u>	<u>\$ 3,393,557</u>	<u>\$ 3,896,615</u>	<u>\$ 19,932,863</u>
Liabilities						
Accounts payable	\$ 626,435	\$ 7,592	\$ 589,966	\$ 5,507	\$ 86,050	\$ 1,315,550
Due to other governmental units	176,195	-	-	-	-	176,195
Due to component units (Note 6)	18,645	-	-	-	-	18,645
Due to other funds (Note 6)	172,000	126,495	21,751	-	-	320,246
Cash bonds and deposits	225,161	-	-	-	-	225,161
Accrued and other liabilities	851,242	-	-	-	30,979	882,221
Unearned revenue	35,490	1,236,786	-	-	-	1,272,276
Total liabilities	2,105,168	1,370,873	611,717	5,507	117,029	4,210,294
Deferred Inflows of Resources						
Unavailable revenue - State sources	483,888	-	-	-	-	483,888
Unavailable revenue - Special assessments	26,657	-	203,076	-	-	229,733
Unavailable revenue - Grants	-	67,506	-	-	-	67,506
Total deferred inflows of resources	510,545	67,506	203,076	-	-	781,127

City of Southgate, Michigan

Governmental Funds Balance Sheet (Continued) June 30, 2016

	General Fund	Community Development Block Grant Fund	Southgate - Wyandotte Operation and Maintenance Fund	Local Street Fund	Other Nonmajor Governmental Funds	Total
Fund Balances						
Nonspendable:						
Prepays	\$ 184,732	\$ -	\$ -	\$ -	\$ 486	\$ 185,218
Long-term receivable	-	-	-	-	194,089	194,089
Restricted:						
Roads	-	-	-	3,388,050	1,145,593	4,533,643
Narcotics enforcement	-	-	-	-	259,418	259,418
Debt service	-	-	-	-	260,158	260,158
Unspent property tax proceeds - Police and fire pension	468,093	-	-	-	-	468,093
Low-income housing	9,163	-	-	-	-	9,163
Southgate- Wyandotte O&M	-	-	5,074,475	-	-	5,074,475
Library	-	-	-	-	635,101	635,101
District Court capital improvement	-	-	-	-	222,953	222,953
Recreation	30,097	-	-	-	-	30,097
Committed (Note 9)	291,635	-	-	-	835,951	1,127,586
Assigned (Note 9)	827,500	-	-	-	225,837	1,053,337
Unassigned	955,617	(67,506)	-	-	-	888,111
Total fund balances	<u>2,766,837</u>	<u>(67,506)</u>	<u>5,074,475</u>	<u>3,388,050</u>	<u>3,779,586</u>	<u>14,941,442</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,382,550</u>	<u>\$ 1,370,873</u>	<u>\$ 5,889,268</u>	<u>\$ 3,393,557</u>	<u>\$ 3,896,615</u>	<u>\$ 19,932,863</u>

City of Southgate, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2016

Fund Balance Reported in Governmental Funds	\$ 14,941,442
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	63,167,823
Net pension liabilities are not due and payable in the current period and are not reported in the funds	(37,525,310)
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	781,127
Bonds payable and long-term purchase agreements are not due and payable in the current period and are not reported in the funds	(8,226,251)
Deferred charges on bond refundings are amortized over the related bond terms, and are not reported in the funds	379,957
Accrued interest is not due and payable in the current period and is not reported in the funds	(53,767)
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	(2,269,619)
Net retiree healthcare obligations are not due and payable in the current period and are not reported in the funds	(17,409,397)
Deferred inflows from the difference between expected and actual experience of the total pension liability	(1,582,439)
Deferred outflows from the difference between projected and actual investment earnings of the pension plan and changes in actuarial assumptions	9,721,239
Internal service funds are included as part of governmental activities	<u>74,220</u>
Net Position of Governmental Activities	<u>\$ 21,999,025</u>

City of Southgate, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2016

	General Fund	Community Development Block Grant Fund	Southgate - Wyandotte Operation and Maintenance Fund	Local Street Fund	Other Nonmajor Governmental Funds	Total
Revenue						
Property taxes	\$ 13,685,068	\$ -	\$ -	\$ -	\$ 1,784,177	\$ 15,469,245
Special assessments	-	-	1,591,333	-	-	1,591,333
Licenses and permits	599,739	-	-	-	-	599,739
Federal grants	61,603	123,483	-	-	45,336	230,422
State sources	3,159,844	-	-	779,336	1,427,662	5,366,842
Charges for services	638,885	-	-	-	124,883	763,768
Fines and forfeitures	1,146,342	-	-	-	-	1,146,342
Interest income	4,764	-	2,506	637	5,621	13,528
Rental income	826,730	-	-	-	-	826,730
Other revenue	100,796	-	-	-	749,235	850,031
Total revenue	20,223,771	123,483	1,593,839	779,973	4,136,914	26,857,980
Expenditures - Current						
General government	4,570,671	-	-	-	500	4,571,171
28th District Court	983,461	-	-	-	-	983,461
Public safety	9,784,041	-	-	-	318,728	10,102,769
Public services	3,279,598	175,090	796,588	676,842	2,020,745	6,948,863
Cultural and recreation	667,800	-	-	-	474,590	1,142,390
Capital outlay	-	-	-	-	32,017	32,017
Debt service	-	-	-	-	1,204,351	1,204,351
Total expenditures	19,285,571	175,090	796,588	676,842	4,050,931	24,985,022
Excess of Revenue Over (Under) Expenditures	938,200	(51,607)	797,251	103,131	85,983	1,872,958
Other Financing Sources (Uses)						
Transfers in	-	-	-	351,241	398,632	749,873
Transfers out	(296,175)	-	-	-	(453,698)	(749,873)
Net Change in Fund Balances	642,025	(51,607)	797,251	454,372	30,917	1,872,958
Fund Balances - Beginning of year	2,124,812	(15,899)	4,277,224	2,933,678	3,748,669	13,068,484
Fund Balances - End of year	\$ 2,766,837	\$ (67,506)	\$ 5,074,475	\$ 3,388,050	\$ 3,779,586	\$ 14,941,442

City of Southgate, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 1,872,958
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	1,981,230
Depreciation expense	(2,977,702)
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	(296,532)
State-shared revenue earned but not received within 60 days of year end is recorded on the statement of activities	(22,698)
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	(2,342,556)
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)	1,046,739
The change of the deferred charges on bond refunding balance is recorded in the statement of activities	(46,608)
Change in accrued interest payable on governmental debt is recorded in the statement of activities	(23,037)
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	(55,454)
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	(207,794)
Internal service funds are included as part of governmental activities	<u>(4,975)</u>
Change in Net Position of Governmental Activities	<u>\$ (1,076,429)</u>

City of Southgate, Michigan

Proprietary Funds Statement of Net Position June 30, 2016

	Enterprise Funds			Governmental Activities
	Water and Sewer	Golf Course	Total	Internal Service Fund - Workers' Compensation
Assets				
Current assets:				
Cash and cash equivalents	\$ 851,958	\$ 31,803	\$ 883,761	\$ 2,220
Receivables from sales to customers on account	2,103,699	2,359	2,106,058	-
Due from other funds (Note 6)	-	-	-	172,000
Inventory	33,049	-	33,049	-
Prepaid expenses	24,649	1,038	25,687	-
Total current assets	3,013,355	35,200	3,048,555	174,220
Noncurrent assets:				
Restricted assets (Note 8)	2,506,057	-	2,506,057	-
Capital assets - Net (Note 5)	33,816,124	534,537	34,350,661	-
Total noncurrent assets	36,322,181	534,537	36,856,718	-
Total assets	39,335,536	569,737	39,905,273	174,220
Deferred Outflows of Resources Related to Pensions (Note 14)				
	840,457	-	840,457	-
Liabilities				
Current liabilities:				
Accounts payable	452,705	12,346	465,051	-
Accrued liabilities and other	537,227	4,554	541,781	100,000
Current portion of compensated absences (Note 7)	62,623	-	62,623	-
Current portion of long-term debt (Note 7)	1,036,420	-	1,036,420	-
Total current liabilities	2,088,975	16,900	2,105,875	100,000
Noncurrent liabilities:				
Advances from other funds (Note 6)	-	194,089	194,089	-
Compensated absences - Net of current portion (Note 7)	51,236	-	51,236	-
Net pension liability	2,624,082	-	2,624,082	-
Net retiree healthcare obligation (Note 15)	2,383,650	-	2,383,650	-
Long-term debt - Net of current portion (Note 7)	6,727,410	-	6,727,410	-
Total noncurrent liabilities	11,786,378	194,089	11,980,467	-
Total liabilities	13,875,353	210,989	14,086,342	100,000
Deferred Inflows of Resources Related to Pensions (Note 14)				
	482,399	-	482,399	-
Net Position				
Net investment in capital assets	26,052,294	534,537	26,586,831	-
Restricted (Note 8)	2,506,057	-	2,506,057	-
Unrestricted	(2,740,110)	(175,789)	(2,915,899)	74,220
Total net position	\$ 25,818,241	\$ 358,748	\$ 26,176,989	\$ 74,220

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

City of Southgate, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2016

	Enterprise Funds			Governmental Activities
	Water and Sewer	Golf Course	Total	Internal Service Fund - Workers' Compensation
Operating Revenue				
Sale of water	\$ 2,567,138	\$ -	\$ 2,567,138	\$ -
Sewage disposal charges	3,410,039	-	3,410,039	-
Assessments	671,312	-	671,312	-
Other	251,291	-	251,291	-
Greens fees and miscellaneous	-	301,406	301,406	-
Charges to other funds	-	-	-	120,000
Total operating revenue	6,899,780	301,406	7,201,186	120,000
Operating Expenses				
Cost of water produced/purchased	2,023,185	-	2,023,185	-
Cost of sewage treatment	2,767,759	-	2,767,759	-
Operation and maintenance	1,388,995	252,179	1,641,174	-
Overhead and other	806,775	15,526	822,301	-
Contractual services	-	-	-	124,975
Depreciation	1,117,871	31,613	1,149,484	-
Total operating expenses	8,104,585	299,318	8,403,903	124,975
Operating (Loss) Income	(1,204,805)	2,088	(1,202,717)	(4,975)
Nonoperating Revenue (Expenses)				
Property tax collections - EPA levy	915,795	-	915,795	-
Investment income	17,859	28	17,887	-
Interest expense	(240,225)	-	(240,225)	-
Total nonoperating revenue	693,429	28	693,457	-
Change in Net Position	(511,376)	2,116	(509,260)	(4,975)
Net Position - As restated - Beginning of year	26,329,617	356,632	26,686,249	79,195
Net Position - End of year	\$ 25,818,241	\$ 358,748	\$ 26,176,989	\$ 74,220

City of Southgate, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2016

	Enterprise Funds		Governmental
			Activities
	Water and Sewer	Golf Course	Workers' Compensation
Cash Flows from Operating Activities			
Receipts from customers	\$ 6,805,242	\$ 301,925	\$ -
Receipts from interfund services and reimbursements	-	-	125,000
Payments to suppliers	(4,246,564)	(254,084)	-
Payments to employees	(1,486,661)	(21,287)	-
Internal activity - Payments to other funds	(115,000)	-	-
Claims paid	-	-	(127,377)
Net cash provided by (used in) operating activities	<u>957,017</u>	<u>26,554</u>	<u>(2,377)</u>
Cash Flows from Capital and Related Financing Activities			
Property taxes (restricted for capital or capital debt)	915,795	-	-
Purchase of capital assets	(332,274)	-	-
Principal and interest paid on capital debt	(1,700,259)	-	-
Net cash used in capital and related financing activities	<u>(1,116,738)</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities - Interest received on investments	<u>17,859</u>	<u>28</u>	<u>-</u>
Net (Decrease) Increase in Cash and Cash Equivalents	<u>(141,862)</u>	<u>26,582</u>	<u>(2,377)</u>
Cash and Cash Equivalents - Beginning of year	<u>3,499,877</u>	<u>5,221</u>	<u>4,597</u>
Cash and Cash Equivalents - End of year	<u>\$ 3,358,015</u>	<u>\$ 31,803</u>	<u>\$ 2,220</u>
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and investments	\$ 851,958	\$ 31,803	\$ 2,220
Restricted cash	2,506,057	-	-
Total cash and cash equivalents	<u>\$ 3,358,015</u>	<u>\$ 31,803</u>	<u>\$ 2,220</u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities			
Operating (loss) income	\$ (1,204,805)	\$ 2,088	\$ (4,975)
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Depreciation and amortization	1,117,871	31,613	-
Changes in assets and liabilities:			
Receivables	(94,538)	519	-
Due from other funds	-	-	5,000
Inventories	(12,261)	-	-
Prepaid and other assets	1,059,064	172	-
Accounts payable	586,036	(8,007)	(2,402)
Accrued and other liabilities	(494,350)	169	-
Net cash provided by (used in) operating activities	<u>\$ 957,017</u>	<u>\$ 26,554</u>	<u>\$ (2,377)</u>

Noncash Capital and Related Financing Activities - During the current year, debt was issued on behalf of the City in the amount of \$237,195 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, 2016

	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 3,909,730	\$ 563,110
Investments:		
Certificate of deposits	2,072,190	-
U.S. government securities	4,410	-
Stocks and mutual funds	37,005,179	-
Mortgage-backed securities	50,876	-
Receivables:		
Accrued interest receivable	55,784	-
Other receivables	753,748	-
Prepaid expenses	115,898	-
	43,967,815	\$ 563,110
Liabilities		
Accounts payable	265,640	\$ -
Due to other governmental units	-	95,086
Cash bonds and deposits	-	468,024
	265,640	\$ 563,110
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 43,702,175	

City of Southgate, Michigan

Fiduciary Funds

Statement of Changes in Fiduciary Net Position - Pension and Other Employee Benefit Trust Funds Year Ended June 30, 2016

	Pension and Other Employee Benefit Trust Funds
Additions	
Investment income (loss):	
Interest and dividends	\$ 1,058,978
Net decrease in fair value of investments	(2,460,379)
Investment-related expenses	(293,611)
Net investment loss	(1,695,012)
Contributions:	
Employer	5,778,731
Employee	454,009
Total contributions	6,232,740
Total additions - Net	4,537,728
Deductions	
Benefit payments	8,895,058
Transfer of assets to MERS	17,640,206
Total deductions	26,535,264
Net Decrease in Net Position Held in Trust	(21,997,536)
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	65,699,711
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 43,702,175

City of Southgate, Michigan

Component Units Statement of Net Position June 30, 2016

	Tax Increment Financing Authority	Downtown Development Authority	Southern Michigan Information Alliance	Total
Assets				
Cash and cash equivalents	\$ 1,309,593	\$ 127,941	\$ 63,998	\$ 1,501,532
Due from other governmental units	-	-	97,932	97,932
Due from primary government (Note 6)	-	-	18,645	18,645
Deposit	-	13,651	-	13,651
Capital assets - Net (Note 5)	-	587,249	25,170	612,419
Total assets	1,309,593	728,841	205,745	2,244,179
Liabilities				
Accounts payable	-	3,786	56,690	60,476
Due to primary government (Note 6)	-	-	45,056	45,056
Accrued liabilities and other	13,651	1,230	-	14,881
Total liabilities	13,651	5,016	101,746	120,413
Net Position				
Net investment in capital assets	-	587,249	25,170	612,419
Unrestricted	1,295,942	136,576	78,829	1,511,347
Total net position	<u>\$ 1,295,942</u>	<u>\$ 723,825</u>	<u>\$ 103,999</u>	<u>\$ 2,123,766</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	\$ 739,662	\$ -	\$ -	\$ -
Downtown Development Authority - General government	199,123	-	16,236	55,000
Southern Michigan Information Alliance - Public safety	710,587	642,053	-	55,000
Total component units	\$ 1,649,372	\$ 642,053	\$ 16,236	\$ 110,000
General revenue:				
Property taxes				
State-shared revenue				
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, 2016**

Net (Expense) Revenue and Changes in Net Position			
Tax Increment Financing Authority	Downtown Development Authority	Southern Michigan Information Alliance	Total
\$ (739,662)	\$ -	\$ -	\$ (739,662)
-	(127,887)	-	(127,887)
-	-	(13,534)	(13,534)
(739,662)	(127,887)	(13,534)	(881,083)
473,515	120,516	-	594,031
119,533	-	-	119,533
1,557	501	14	2,072
25,000	56,640	-	81,640
619,605	177,657	14	797,276
(5,000)	5,000	-	-
(125,057)	54,770	(13,520)	(83,807)
1,420,999	669,055	117,519	2,207,573
\$ 1,295,942	\$ 723,825	\$ 103,999	\$ 2,123,766

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 18.

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.

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

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.
- **Local Street Fund** - The Local Street Fund accounts for the resources from the Act 51 gas and tax weight 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 the following:

Note I - Summary of Significant Accounting Policies (Continued)

- **Pension and Other Employee Benefit Trust Funds** - The Pension and Other Employee Benefit Trust Funds account for the activities of the Policemen and Firemen Retirement Systems, Municipal Employees' Retiree Health Care, and Act 345 Health Insurance, which accumulate resources for pension benefit payments and postemployment healthcare costs to qualified police and fire and municipal retirees. During the year, the Municipal Employees' Retirement system Trust Fund transferred all assets to the Municipal Employees' Retirement System of Michigan (MERS).
- **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.

Note I - Summary of Significant Accounting Policies (Continued)

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

Restricted Assets - 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 acquisition value at the date of donation.

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

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

Note I - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the 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.

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.

Note I - Summary of Significant Accounting Policies (Continued)

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.

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).

Note I - Summary of Significant Accounting Policies (Continued)

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 2015 tax is levied and collectible on July 1, 2015 and is recognized as revenue in the year ended June 30, 2016, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2015 taxable valuation of the City totaled \$659 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, 7.4200 mills for Act 345 police and fire retirement, 0.880 mills for the library's operating purposes, 1.9334 mills for road construction, 0.0740 mills for Act 349 parks and recreation, and 1.3742 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 \$6,706,000 for operations, \$1,609,000 for refuse, \$4,909,000 for police and fire retirement, \$582,000 for the library's operations, \$1,279,000 for road construction, \$49,000 for parks and recreation, and \$909,000 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 2016, this amounted to \$88,219 and \$281,955 in foregone captures for the DDA and TIFA, respectively. These amounts are recognized in the General Fund as tax revenue.

Note I - Summary of Significant Accounting Policies (Continued)

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 the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. 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.

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.

City of Southgate, Michigan

Notes to Financial Statements June 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Note 2 - Stewardship, Compliance, and Accountability

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

Cumulative deficit at July 1, 2015		\$	(272,536)
Current year permit revenue			516,004
Related expenses:			
Direct costs	\$	348,160	
Estimated indirect costs		33,562	381,722
			<u>134,282</u>
Current year surplus			<u>134,282</u>
Cumulative deficit at June 30, 2016		\$	<u>(138,254)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, 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.

Note 3 - Deposits and Investments (Continued)

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.

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 \$18,246,972 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 \$119,056 of bank deposits, all of which were insured.

City of Southgate, Michigan

Notes to Financial Statements June 30, 2016

Note 3 - Deposits and Investments (Continued)

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:

Fiduciary Funds	Fair Value	Less than 5 Years	5 to 15 Years	Over 15 Years
Mortgage-backed securities	\$ 50,876	\$ -	\$ 1,505	\$ 49,371
Federal agencies	4,410	-	-	4,410
Total	<u>\$ 55,286</u>	<u>\$ -</u>	<u>\$ 1,505</u>	<u>\$ 53,781</u>

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

Investment	Fair Value	Rating	Rating Organization
Fiduciary Funds			
Mortgage-backed securities	\$ 50,876	Not rated	N/A
Federal agencies	4,410	Not rated	N/A
Money market funds	<u>2,414,177</u>	AAA	Moody's
Total	<u>\$ 2,469,463</u>		

Concentration of Credit Risk - The City is authorized by the State's Pension Investment Act to invest in common stocks, real estate, and various other investment vehicles, subject to certain limitations. As of year end, the Police and Fire Retirement plan had multiple investments, which consisted mostly of pooled investments that exceed 5.00 percent of the total portfolio. The plan had 19.34 percent invested in iShares Russell 300 and 8.80 percent invested in Edgewood Growth Fund.

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

City of Southgate, Michigan

Notes to Financial Statements June 30, 2016

Note 4 - Fair Value Measurement

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

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

The City has the following recurring fair value measurements as of June 30, 2016:

Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:				
Mortgage-backed securities	\$ 50,876	\$ -	\$ 50,876	\$ -
Federal agencies bonds	4,410	-	4,410	-
Mutual Funds - Fixed income	8,491,190	-	-	-
Total debt securities	8,546,476	-	55,286	-
Equity securities:				
Stock	15,393,690	15,393,690	-	-
ETF - equity	9,587,791	9,587,791	-	-
Mutual funds - equity	3,474,735	3,474,735	-	-
Other	57,773	-	57,773	-
Total equity securities	28,513,989	28,456,216	57,773	-
Total investments by fair value level	\$ 37,060,465	\$ 28,456,216	\$ 113,059	\$ -

City of Southgate, Michigan

Notes to Financial Statements June 30, 2016

Note 5 - Capital Assets

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

	Balance July 1, 2015	Additions	Disposals	Balance June 30, 2016
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 3,386,602	\$ -	\$ -	\$ 3,386,602
Capital assets being depreciated:				
Infrastructure	81,443,173	1,817,558	-	83,260,731
Buildings and improvements	34,422,484	50,634	-	34,473,118
Machinery and equipment	8,960,977	73,273	-	9,034,250
Vehicles	3,448,532	32,016	-	3,480,548
Land improvements	2,693,433	7,749	-	2,701,182
Subtotal	130,968,599	1,981,230	-	132,949,829
Accumulated depreciation:				
Infrastructure	45,309,348	1,863,927	-	47,173,275
Buildings and improvements	12,817,928	711,369	-	13,529,297
Machinery and equipment	8,085,924	142,917	-	8,228,841
Vehicles	2,392,988	161,285	-	2,554,273
Land improvements	1,584,718	98,204	-	1,682,922
Subtotal	70,190,906	2,977,702	-	73,168,608
Net capital assets being depreciated	60,777,693	(996,472)	-	59,781,221
Net capital assets	\$ 64,164,295	\$ (996,472)	\$ -	\$ 63,167,823

City of Southgate, Michigan

Notes to Financial Statements June 30, 2016

Note 5 - Capital Assets (Continued)

	Balance July 1, 2015	Reclassifications	Additions	Disposals	Balance June 30, 2016
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 169,445	\$ -	\$ -	\$ -	\$ 169,445
Construction in progress	549,926	(549,926)	237,195	-	237,195
Subtotal	719,371	(549,926)	237,195	-	406,640
Capital assets being depreciated:					
Water and sewer lines	52,069,396	549,926	249,313	-	52,868,635
Buildings and improvements	938,581	-	-	-	938,581
Machinery and equipment	2,240,638	-	37,301	-	2,277,939
Vehicles	1,949,345	-	45,660	-	1,995,005
Land improvements	631,708	-	-	-	631,708
Subtotal	57,829,668	549,926	332,274	-	58,711,868
Accumulated depreciation:					
Water and sewer lines	19,947,105	-	910,692	-	20,857,797
Buildings and improvements	489,945	-	21,574	-	511,519
Machinery and equipment	1,223,856	-	119,479	-	1,343,335
Vehicles	1,628,012	-	78,602	-	1,706,614
Land improvements	329,445	-	19,137	-	348,582
Subtotal	23,618,363	-	1,149,484	-	24,767,847
Net capital assets being depreciated	34,211,305	549,926	(817,210)	-	33,944,021
Net capital assets	\$ 34,930,676	\$ -	\$ (580,015)	\$ -	\$ 34,350,661
	Balance July 1, 2015	Reclassifications	Additions	Disposals	Balance June 30, 2016
Component Unit Activities					
Capital assets being depreciated:					
Machinery and equipment	\$ 210,903	\$ -	\$ -	\$ -	\$ 210,903
Land improvements	649,015	-	3,301	-	652,316
Subtotal	859,918	-	3,301	-	863,219
Accumulated depreciation:					
Machinery and equipment	164,292	-	21,441	-	185,733
Land improvements	32,451	-	32,616	-	65,067
Subtotal	196,743	-	54,057	-	250,800
Net capital assets	\$ 663,175	\$ -	\$ (50,756)	\$ -	\$ 612,419

City of Southgate, Michigan

Notes to Financial Statements June 30, 2016

Note 5 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 855,685
Public safety	250,425
Public works	1,248,531
Recreation and culture	572,877
District Court	<u>50,184</u>
Total governmental activities	<u>\$ 2,977,702</u>

Business-type activities:

Water and Sewer	\$ 1,117,871
Golf	<u>31,613</u>
Total business-type activities	<u>\$ 1,149,484</u>

Component unit activities:

Downtown Development Authority	\$ 38,517
Southeastern Michigan Information Alliance	<u>21,441</u>
Total component unit activities	<u>\$ 59,958</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	\$ 126,495
	Southgate - Wyandotte Operation and Maintenance Fund	<u>21,751</u>
	Total General Fund	148,246
Internal Service Fund - Workers' Compensation Fund	General Fund	<u>172,000</u>
	Total	<u>\$ 320,246</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, 2016

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	18,645

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
Local Street Fund	Nonmajor governmental funds	\$ 351,241
Nonmajor governmental funds	General Fund	296,175
	Nonmajor governmental funds	102,457
	Total nonmajor governmental funds	<u>398,632</u>
	Total	<u>\$ 749,873</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, 2016

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:							
Capital Improvement Refunding Bond Series 2015A							
Original issue: \$2,400,000	2.0% -	\$95,000 -					
Maturing through 2023	3.0%	\$375,000	\$ 2,375,000	\$ -	\$ 345,000	\$ 2,030,000	\$ 355,000
Issuance premiums			61,839	-	8,245	53,594	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	-	550,000	5,810,000	510,000
Parking lot improvements installment purchase agreement:							
Original issue: \$649,500							
Maturing through 2018	5.17%	\$43,300	86,600	-	43,300	43,300	43,300
28th District Court expansion installment purchase agreement:							
Original issue: \$950,000		\$71,494 -					
Maturing through 2018	4.35%	\$81,236	232,327	-	77,855	154,472	80,642
2006 City Hall heating/cooling capital lease:							
Original issue: \$313,000		\$7,243 -					
Maturing through 2021	4.98%	\$28,522	157,224	-	22,339	134,885	23,380
Total bonds payable			9,272,990	-	1,046,739	8,226,251	1,020,567
Compensated absences			2,194,165	773,410	767,956	2,199,619	769,865
Self-insurance claims			20,000	100,455	50,455	70,000	21,000
Total governmental activities			\$ 11,487,155	\$ 873,865	\$ 1,865,150	\$ 10,495,870	\$ 1,811,432
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	\$ 8,738,520	\$ 237,194	\$ 1,442,238	\$ 7,533,476	\$ 1,018,625
Tank rehabilitation bonds -							
Original issue: \$423,640		\$18,925 -					
Maturing through 2027	8.9%	\$31,751	248,149	-	17,795	230,354	17,795
Total bonds payable			8,986,669	237,194	1,460,033	7,763,830	1,036,420
Compensated absences			109,001	64,809	59,951	113,859	62,623
Total business-type activities			\$ 9,095,670	\$ 302,003	\$ 1,519,984	\$ 7,877,689	\$ 1,099,043

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.

City of Southgate, Michigan

Notes to Financial Statements June 30, 2016

Note 7 - Long-term Debt (Continued)

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
2017	\$ 1,012,322	\$ 213,174	\$ 1,225,496	\$ 1,219,703	\$ 149,344	\$ 1,369,047
2018	993,401	184,165	1,177,566	1,231,844	127,859	1,359,703
2019	935,823	159,790	1,095,613	1,055,956	87,228	1,143,184
2020	947,139	137,034	1,084,173	599,223	67,026	666,249
2021	978,522	113,922	1,092,444	419,709	179,148	598,857
2022-2026	3,305,450	255,243	3,560,693	1,823,114	230,051	2,053,165
2027-2031	-	-	-	1,238,559	272,974	1,511,533
2032-2036	-	-	-	175,722	44,829	220,551
Total	<u>\$ 8,172,657</u>	<u>\$ 1,063,328</u>	<u>\$ 9,235,985</u>	<u>\$ 7,763,830</u>	<u>\$ 1,158,459</u>	<u>\$ 8,922,289</u>

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, 2016 consist of the following:

User fee - Cash and certificates of deposit	\$ 677,554
Wayne County Sewage Disposal System bonds - Assets held at the County for future debt payments	<u>1,828,503</u>
Total restricted net position	<u>\$ 2,506,057</u>

Net position in the amount of \$2,506,057 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.

City of Southgate, Michigan

Notes to Financial Statements June 30, 2016

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
	<hr/>	<hr/>
Total committed	291,635	835,951
Assigned:		
Workers' compensation	260,000	-
Severance reserve	387,500	-
Future working capital	180,000	-
Capital projects	-	225,837
	<hr/>	<hr/>
Total assigned	827,500	225,837
	<hr/>	<hr/>
Total committed and assigned fund balances	\$ 1,119,135	\$ 1,061,788

Note 10 - Risk Management

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

Note 10 - Risk Management (Continued)

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

	2016	2015
Unpaid claims - Beginning of year	\$ 120,000	\$ 265,000
Incurred claims, including claims incurred but not reported	163,586	17,563
Claim payments	<u>(113,586)</u>	<u>(162,563)</u>
Unpaid claims - End of year	<u>\$ 170,000</u>	<u>\$ 120,000</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 - Agent Defined Benefit Pension Plan Description

Plan Description - During the year, the City's Municipal Employees' Retirement System entered into an agreement to participate in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS), that covers all full-time municipal employees of the City. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. Prior to executing this agreement, the Municipal Employees' Retirement System board of trustees administered the Municipal Employees' Retirement System - a single-employer defined benefit pension plan. Upon entering into the agreement with MERS, the City transferred the assets of the Municipal Employees' Retirement System to MERS (approximately \$17.6 million).

MERS issues a publicly available financial report, which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmichigan.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

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

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

Note 11 - Agent Defined Benefit Pension Plan Description (Continued)

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

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

Employees Covered by Benefit Terms - At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	82
Inactive plan members entitled to but not yet receiving benefits	6
Active plan members	44
	<hr/>
Total employees covered by MERS	132

City of Southgate, Michigan

Notes to Financial Statements June 30, 2016

Note 11 - Agent Defined Benefit Pension Plan Description (Continued)

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

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, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate as established by the MERS retirement board. 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. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2016, the average active employee contribution rate was 12.0 percent of annual pay and the City's average contribution rate was 47.12 percent of annual payroll.

Net Pension Liability

The net pension liability reported at June 30, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date. During the year, the City's Municipal Employees' Retirement System transferred all assets to the Municipal Employees' Retirement System of Michigan (MERS); as a result, the table below consists of six months of activity from June 30, 2015 to December 31, 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, 2015	\$ 31,804,627	\$ 18,682,431	\$ 13,122,196
Service cost	288,542	-	288,542
Interest	1,076,022	-	1,076,022
Changes in assumptions	(2,932,796)	-	(2,932,796)
Contributions - Employer	-	569,014	(569,014)
Contributions - Employee	-	135,680	(135,680)
Net investment income	-	(311,386)	311,386
Benefit payments, including refunds	(1,349,679)	(1,349,679)	-
Administrative expenses	-	(71,346)	71,346
Net changes	(2,917,911)	(1,027,717)	(1,890,194)
Balance at December 31, 2015	\$ 28,886,716	\$ 17,654,714	\$ 11,232,002

City of Southgate, Michigan

Notes to Financial Statements June 30, 2016

Note 11 - Agent Defined Benefit Pension Plan Description (Continued)

Assumption Changes - The previous valuation used mortality rates based on the RP2000 Mortality Combined Healthy Tables projected 20 years with projection scale BB. The current valuation, for the purpose of computing the net pension liability and developing the single discount rate, used mortality rates based on the RP2014 Healthy Annuitant Mortality Tables with rates multiplied by 105 percent, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables.

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

For the year ended June 30, 2016, the City recognized pension expense of \$188,724. At June 30, 2016, 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	\$ -	\$ (2,064,837)
Changes in assumptions	796,971	-
Net difference between projected and actual earnings on pension plan investments	2,261,291	-
Employer contributions to the plan subsequent to the measurement date	539,190	-
Total	<u>\$ 3,597,452</u>	<u>\$ (2,064,837)</u>

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 June 30	Amount
2017	\$ 171,192
2018	(144,075)
2019	647,492
2020	318,817

Actuarial Assumptions - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 %
Salary increases	3.75 %
Investment rate of return	8.00 % Net of pension plan investment expense, including inflation

Note 11 - Agent Defined Benefit Pension Plan Description (Continued)

Mortality rates were based on a 50 percent male and 50 percent female blend of the following tables:

1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent.
2. The RP-2014 Employee Mortality Tables.
3. The RP-2014 Juvenile Mortality Tables.

For disabled retirees, the RP-2014 Disabled Retiree Mortality Table is used with a 50 percent male and 50 percent female blend.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of the most recent actuarial experience study from 2009-2013.

Discount Rate - The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer 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.

The long-term expected rate of return on pension plan investments was determined using a model 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. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2015, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	58 %	5.00 %
Global fixed income	20 %	2.20 %
Real assets	12 %	4.20 %
Diversifying strategies	10 %	6.60 %

Note 11 - Agent Defined Benefit Pension Plan Description (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City for the Municipal Employees' Retirement Plan, calculated using the discount rate of 8.00 percent, as well as what the City's net pension liability for the Municipal Employees' Retirement Plan would be if it were calculated using a discount rate that is 1 percentage point lower (7.00 percent) or 1 percentage point higher (9.00 percent) than the current rate:

	1 Percent Decrease (7.0%)	Current Discount Rate (8.00%)	1 Percent Increase (9.00%)
Net pension liability of the City	\$ 14,363,455	\$ 11,232,002	\$ 8,599,239

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

Note 12 - Pension Plan Description

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.

Note 12 - Pension Plan Description (Continued)

Plan Membership - At June 30, 2016, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	95
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>63</u>
Total	<u><u>161</u></u>

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 hired before July 1, 2008, the annual benefit is calculated as 2.69 percent of final average compensation times first 25 years of service plus 1 percent of final average compensation times years of service in excess of 25 years, subject to a maximum annual benefit cap of \$80,000 after annuity withdrawal, and payable as straight-life annuity. For IAFF Local 1307 members hired after July 1, 2008, the annual benefit is calculated the same as those hired before July 1, 2008 but is subject to a maximum annual benefit cap of \$70,000. Members promoted to command positions on or after July 1, 2006 will be provided the same pension calculations and payout at retirement as they were provided as 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 the first 25 years of service plus 1 percent of final average compensation times years of service in excess of 25 years, subject to a maximum annual benefit cap of \$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. Benefits begin at the date retirement would have occurred had the member remained in employment.

Note 12 - Pension Plan Description (Continued)

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

All pension plan members are eligible for 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, 2016, the average active member contribution rate was 6.68 percent of annual pay, and the City's average contribution rate was 54.48 percent of annual payroll.

Note 12 - Pension Plan Description (Continued)

Rate of Return - For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (3.04) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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, 2016:

Asset Class	Target Allocation
Domestic large cap equities	50 %
Domestic small cap equities	10 %
International equities	10 %
Domestic fixed income	28 %
Cash and cash equivalents	2 %

Note 13 - Pension Plan Reserves

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.

City of Southgate, Michigan

Notes to Financial Statements June 30, 2016

Note 13 - Pension Plan Reserves (Continued)

The balances of the reserve accounts at June 30, 2016 are as follows:

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 63,744,163	\$ 34,826,773
Employee reserve	4,745,275	4,745,275
Employer reserve	N/A	-

Note 14 - Net Pension Liability - Policemen and Firemen Retirement System

Total pension liability	\$ 68,489,438
Plan fiduciary net position	<u>(39,572,048)</u>
City's net pension liability	<u>\$ 28,917,390</u>
Plan fiduciary net position as a percentage of the total pension liability	57.8 %

The City has chosen to use June 30, 2016 as its measurement date for the net pension liability. The June 30, 2016 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of June 30, 2016. The June 30, 2016 total pension liability was determined by an actuarial valuation performed as of June 30, 2015, which used updated procedures to roll forward the estimated liability to June 30, 2016.

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

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance at June 30, 2015	\$ 67,664,363	\$ 43,130,489	\$ 24,533,874
Service cost	1,005,271	-	1,005,271
Interest	4,915,376	-	4,915,376
Changes in benefits	(993,322)		(993,322)
Differences between expected and actual experience	1,155,057	-	1,155,057
Contributions - Employer	-	2,580,266	(2,580,266)
Contributions - Employee	-	337,603	(337,603)
Net investment income	-	(1,219,003)	1,219,003
Benefit payments, including refunds	<u>(5,257,307)</u>	<u>(5,257,307)</u>	<u>-</u>
Net changes	<u>825,075</u>	<u>(3,558,441)</u>	<u>4,383,516</u>
Balance at June 30, 2016	<u>\$ 68,489,438</u>	<u>\$ 39,572,048</u>	<u>\$ 28,917,390</u>

City of Southgate, Michigan

Notes to Financial Statements June 30, 2016

Note 14 - Net Pension Liability - Policemen and Firemen Retirement System (Continued)

Benefit Changes - For the June 30, 2015 there were two benefit charges that affected the calculation of total pension liability. First the maximum annual benefit cap for IAFF Local 1307, Police Command, and Police Partol retiring after July 1, 2015 was changed to \$80,000 for employees hired before July 1, 2008 and \$70,000 for employees hired after July 1, 2008. Second, the employee contributions for police chief, fire chief, and public safety director were set to 10 percent and 6.5 percent for all other police and fire members.

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

For the year ended June 30, 2016, the City recognized pension expense of \$3,345,722. At June 30, 2016, 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	\$ 1,132,561	\$ -
Net difference between projected and actual earnings on pension plan investments	<u>5,831,683</u>	<u>-</u>
Total	<u>\$ 6,964,244</u>	<u>\$ -</u>

Note 14 - 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 June 30	Amount
2017	\$ 1,903,057
2018	1,903,057
2019	1,903,057
2020	1,121,573
2021	133,500

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 14 - 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, 2016 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>
Domestic large cap equities	7.7 %
Domestic small cap equities	9.4 %
International equities	7.6 %
Domestic fixed income	2.7 %
Cash or cash equivalents	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 Percent Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1 Percent Increase (8.5%)</u>
Net pension liability of the City	\$ 35,838,352	\$ 28,917,390	\$ 23,017,317

Note 15 - Other Postemployment Benefits - Municipal Employees

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, 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.

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, 2016, the City made payments for postemployment health benefit premiums for current general retirees in the age-adjusted amount of \$1,094,529, which was paid from governmental funds.

Funding Progress - For the year ended June 30, 2016, 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)	\$ 2,762,035
Interest on the prior year's net OPEB obligation	585,709
Less adjustment to the annual required contribution	<u>(809,725)</u>
Annual OPEB cost	2,538,019
Amounts contributed:	
Payments of current premiums - Age adjusted	(1,094,529)
Advance funding	<u>(75,000)</u>
Increase in net OPEB obligation	1,368,490
OPEB obligation - Beginning of year	<u>10,649,262</u>
OPEB obligation - End of year	<u>\$ 12,017,752</u>

City of Southgate, Michigan

Notes to Financial Statements June 30, 2016

Note 15 - 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
6/30/16	6/30/13	2,762,035	42.3	12,017,752

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	\$ 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 multi-year 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 15 - 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, 2016 was 23 years.

Note 16 - 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, 2016, the City made payments for postemployment health benefit premiums for current police and fire retirees in the age-adjusted amount of \$1,599,000, which was paid from the Act 345 Health Insurance Fund, which is reported in this financial statements as a pension and other employee benefit trust fund type.

City of Southgate, Michigan

Notes to Financial Statements June 30, 2016

Note 16 - Other Postemployment Benefits - Police and Fire (Continued)

Funding Progress - For the year ended June 30, 2016, 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)	\$ 2,738,480
Interest on the prior year's net OPEB obligation	368,581
Less adjustment to the annual required contribution	<u>(258,039)</u>
Annual OPEB cost	2,849,022
Amounts contributed:	
Payments of current premiums	-
Advance funding	<u>(1,775,195)</u>
Increase in net OPEB obligation	1,073,827
OPEB obligation - Beginning of year	<u>6,701,468</u>
OPEB obligation - End of year	<u>\$ 7,775,295</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
6/30/16	6/30/13	2,738,480	58.4	7,775,295

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

City of Southgate, Michigan

Notes to Financial Statements June 30, 2016

Note 16 - 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 multi-year 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, 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 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, 2016 was 30 years.

City of Southgate, Michigan

Notes to Financial Statements June 30, 2016

Note 17 - 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					
Cash and investments	\$ -	\$ 39,474,642	\$ 2,375,134	\$ 1,192,609	\$ 43,042,385
Other assets	-	342,130	291,207	292,093	925,430
Liabilities	-	244,724	9,054	11,862	265,640
Net position	\$ -	\$ 39,572,048	\$ 2,657,287	\$ 1,472,840	\$ 43,702,175
Statement of Changes in Net Position					
Investment (loss) income	\$ (538,875)	\$ (1,219,005)	\$ 59,376	\$ 3,492	\$ (1,695,012)
Contributions	324,281	2,917,869	1,199,430	1,791,160	6,232,740
Benefit payments	827,631	5,257,307	1,096,029	1,714,091	8,895,058
Transfer of assets to MERS	17,640,206	-	-	-	17,640,206
Net change in net position	\$ (18,682,431)	\$ (3,558,443)	\$ 162,777	\$ 80,561	\$ (21,997,536)

Note 18 - 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 \$790,199 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.

Note 18 - Joint Ventures (Continued)

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. In addition, the City has recorded a liability of \$203,613 at June 30, 2016 related to their share of the systems unrestricted net position. During the year, the City paid \$1,502,425 for operations of the system and \$1,442,404 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 19 - Upcoming Accounting Pronouncements

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 more extensive disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the City will, after adoption of GASB Statement 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 Statement No. 74 is effective for fiscal years beginning after June 15, 2016, whereas GASB Statement No. 75 is effective one year later.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement will require governments to disclose in their financial statements information related to tax abatement agreements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

Required Supplemental Information

City of Southgate, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 13,599,891	\$ 13,599,891	\$ 13,685,068	\$ 85,177
Reimbursements from other funds	1,303,379	1,303,379	1,255,016	(48,363)
Licenses and permits	519,750	519,750	599,739	79,989
Federal grants	45,000	45,000	61,603	16,603
State sources	3,136,612	3,136,612	3,159,844	23,232
Charges for services	705,700	705,700	638,885	(66,815)
Fines and forfeitures	1,421,700	1,421,700	1,146,342	(275,358)
Interest income	2,000	2,000	4,764	2,764
Rental income	667,100	667,100	826,730	159,630
Other revenue	118,500	118,500	100,796	(17,704)
Total revenue	21,519,632	21,519,632	21,478,787	(40,845)
Expenditures - Current				
General government:				
City Council	35,390	35,390	34,674	716
Executive	233,709	233,709	244,784	(11,075)
Finance	439,195	439,195	449,907	(10,712)
Treasurer	217,822	217,822	221,170	(3,348)
Assessor	158,150	173,150	156,131	17,019
Clerk	151,262	157,262	155,760	1,502
Elections	59,651	59,651	31,217	28,434
Attorney	145,500	145,500	145,492	8
Civil Service Commission	-	1,000	3,531	(2,531)
Nondepartmental	3,611,754	3,611,754	3,559,931	51,823
Total general government	5,052,433	5,074,433	5,002,597	71,836
28th District Court	1,044,326	1,044,326	983,461	60,865
Public safety:				
Police	6,283,411	6,283,411	5,877,045	406,366
Fire	3,622,934	3,622,934	3,551,684	71,250
Emergency preparedness	4,790	4,790	210	4,580
Building inspections and related	338,765	338,765	337,782	983
Police and Fire Civil Service Commission	8,500	20,500	17,320	3,180
Total public safety	10,258,400	10,270,400	9,784,041	486,359
Public works:				
Public services	1,860,365	1,860,365	1,895,276	(34,911)
Sanitation	1,443,804	1,447,804	1,445,231	2,573
Planning	7,500	7,500	10,378	(2,878)
City garage	585,878	546,878	520,350	26,528
Total public works	3,897,547	3,862,547	3,871,235	(8,688)
Recreation and culture:				
Recreation	611,602	611,602	601,178	10,424
Senior Citizen Center	81,891	81,891	65,449	16,442
Cultural Commission	2,000	3,000	1,173	1,827
Total recreation and culture	695,493	696,493	667,800	28,693
Transfers to other funds	571,175	571,175	571,175	-
Total expenditures	21,519,374	21,519,374	20,880,309	639,065
Net Change in Fund Balance	258	258	598,478	598,220
Fund Balance - Beginning of year	1,981,192	1,981,192	1,981,192	-
Fund Balance - End of year	\$ 1,981,450	\$ 1,981,450	\$ 2,579,670	\$ 598,220

City of Southgate, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Southgate - Wyandotte Operation and Maintenance Fund Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Special assessments	\$ 1,241,000	\$ 1,241,000	\$ 1,591,333	\$ 350,333
Interest income	-	-	2,506	2,506
Total revenue	1,241,000	1,241,000	1,593,839	352,839
Expenditures - Current - Public works	1,465,392	1,465,392	796,588	668,804
Net Change in Fund Balance	(224,392)	(224,392)	797,251	1,021,643
Fund Balance - Beginning of year	4,277,224	4,277,224	4,277,224	-
Fund Balance - End of year	<u>\$ 4,052,832</u>	<u>\$ 4,052,832</u>	<u>\$ 5,074,475</u>	<u>\$ 1,021,643</u>

City of Southgate, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Community Development Block Grant Fund Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue - Federal grants	\$ 155,663	\$ 155,663	\$ 123,483	\$ (32,180)
Expenditures - Current - Public works	<u>155,658</u>	<u>155,658</u>	<u>175,090</u>	<u>(19,432)</u>
Net Change in Fund Balance	5	5	(51,607)	(51,612)
Fund Balance - Beginning of year	<u>(15,899)</u>	<u>(15,899)</u>	<u>(15,899)</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ (15,894)</u></u>	<u><u>\$ (15,894)</u></u>	<u><u>\$ (67,506)</u></u>	<u><u>\$ (51,612)</u></u>

City of Southgate, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Local Street Fund Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 474,571	\$ 474,571	\$ 779,336	\$ 304,765
Interest income	150	150	637	487
Total revenue	474,721	474,721	779,973	305,252
Expenditures - Public works - Street construction	821,000	821,000	676,842	144,158
Excess of Revenue (Under) Over Expenditures	(346,279)	(346,279)	103,131	449,410
Other Financing Sources - Transfers in	297,404	297,404	351,241	53,837
Net Change in Fund Balance	(48,875)	(48,875)	454,372	503,247
Fund Balance - Beginning of year	2,933,678	2,933,678	2,933,678	-
Fund Balance - End of year	<u>\$ 2,884,803</u>	<u>\$ 2,884,803</u>	<u>\$ 3,388,050</u>	<u>\$ 503,247</u>

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

	2016	2015	2014
Total Pension Liability			
Service cost	\$ 288,542	\$ 441,569	\$ 452,058
Interest	1,064,707	2,160,600	2,132,671
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	(269,570)	-
Changes in assumptions	(2,921,481)	1,959,499	-
Benefit payments, including refund	(1,349,679)	(2,149,366)	(2,264,831)
Net change in total pension liability	(2,917,911)	2,142,732	319,898
Total pension liability - Beginning of year	31,804,627	29,661,895	29,341,997
Total pension liability - End of year	\$ 28,886,716	\$ 31,804,627	\$ 29,661,895
Plan Fiduciary Net Position			
Contributions - Employer	\$ 569,014	\$ 969,014	\$ 882,147
Contributions - Member	135,680	286,249	305,790
Net investment (loss) income	(311,386)	(284,404)	2,418,590
Administrative expenses	(71,346)	-	-
Benefit payments, including refunds	(1,349,679)	(2,149,366)	(2,264,831)
Other	-	-	-
Net change in plan fiduciary net position	(1,027,717)	(1,178,507)	1,341,696
Plan fiduciary net position - Beginning of year	18,682,431	19,860,938	18,519,242
Plan fiduciary net position - End of year	\$ 17,654,714	\$ 18,682,431	\$ 19,860,938
City's Net Pension Liability - Ending	\$ 11,232,002	\$ 13,122,196	\$ 9,800,957
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	61.12 %	58.74 %	66.96 %
Covered Employee Payroll	\$ 2,351,603	\$ 2,380,521	\$ 2,501,902
City's Net Pension Liability as a Percentage of Covered Employee Payroll	477.6 %	551.2 %	391.7 %

* 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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 413,647	\$ 969,014	\$ 882,147	\$ 875,326	\$ 680,346	\$ 759,141	\$ 862,425	\$ 889,043	\$ 767,755	\$ 747,469
Contributions in relation to the actuarially determined contribution	569,014	969,014	882,147	891,193	680,346	759,141	862,425	889,043	767,755	747,469
Contribution Excess	\$ (155,367)	\$ -	\$ -	\$ (15,867)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 2,351,603	\$ 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
Contributions as a Percentage of Covered Employee Payroll	24.2 %	40.7 %	35.3 %	34.2 %	22.7 %	20.6 %	23.3 %	23.4 %	20.8 %	20.2 %

Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

In 2016, the City transferred all of the Municipal Employees' Retirement System assets into Municipal Employees' Retirement System of Michigan. The actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required. Prior to the transfer to the Municipal Employees' Retirement System of Michigan, actuarially determined contribution rates were calculated as of June 30 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Valuation date

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of pay, open
Remaining amortization period	23 years
Asset valuation method	Five-year smoothed market
Inflation	2.5%
Salary increases	4.50%, including inflation
Investment rate of return	8.0%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	50% male - 50% female blend of the RP-2014 Health Annuitant Mortality Tables, with rates multiplied by 105%; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables.
Other information	None

City of Southgate, Michigan

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

	2016	2015	2014	2013*	2012*	2011*	2010*	2009*	2008*	2007*
Annual money-weighted rate of return, net of investment expense	(3.04)%	(1.2)%	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

	2016	2015	2014
Total Pension Liability			
Service cost	\$ 1,005,271	\$ 1,093,031	\$ 1,058,512
Interest	4,915,376	4,844,541	4,771,821
Changes in benefit terms	(993,322)	-	-
Differences between expected and actual experience	1,155,057	273,660	-
Changes in assumptions	-	-	-
Benefit payments, including refunds	<u>(5,257,307)</u>	<u>(5,188,467)</u>	<u>(4,567,523)</u>
Net change in total pension liability	825,075	1,022,765	1,262,810
Total pension liability - Beginning of year	<u>67,664,363</u>	<u>66,641,598</u>	<u>65,378,788</u>
Total pension liability - End of year	<u>\$ 68,489,438</u>	<u>\$ 67,664,363</u>	<u>\$ 66,641,598</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 2,580,266	\$ 2,604,211	\$ 2,649,082
Contributions - Member	337,603	331,809	359,953
Net investment (loss) income	(1,219,003)	(538,420)	6,412,966
Administrative expenses	-	-	-
Benefit payments, including refunds	(5,257,307)	(5,188,467)	(4,567,523)
Other	-	-	-
Net change in plan fiduciary net position	<u>(3,558,441)</u>	<u>(2,790,867)</u>	<u>4,854,478</u>
Plan fiduciary net position - Beginning of year	<u>43,130,489</u>	<u>45,921,356</u>	<u>41,066,878</u>
Plan fiduciary net position - End of year	<u>\$ 39,572,048</u>	<u>\$ 43,130,489</u>	<u>\$ 45,921,356</u>
City's Net Pension Liability - Ending	<u>\$ 28,917,390</u>	<u>\$ 24,533,874</u>	<u>\$ 20,720,242</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	57.78 %	63.74 %	68.91 %
Covered Employee Payroll	\$ 4,633,108	\$ 5,047,949	\$ 4,708,305
City's Net Pension Liability as a Percentage of Covered Employee Payroll	624.1 %	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, 2016

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	\$ 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
6/30/11	6/30/09	\$ 2,370,630	32.2
6/30/12	6/30/09	2,368,796	30.8
6/30/13	6/30/11	2,427,465	37.1
6/30/14	6/30/11	2,426,703	42.8
6/30/15	6/30/13	2,757,529	47.6
6/30/16	6/30/13	2,762,035	42.3

*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, 2013, the latest actuarial valuation is as follows:

Amortization method	Level dollar
Amortization period (perpetual)	23 years
Asset valuation method	Five-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, 2016

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
6/30/11	6/30/09	\$ 2,287,952	58.4
6/30/12	6/30/09	2,348,689	66.3
6/30/13	6/30/11	2,350,185	77.3
6/30/14	6/30/11	2,411,044	73.2
6/30/15	6/30/13	2,668,891	67.7
6/30/16	6/30/13	2,738,480	58.4

*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, 2013, the latest actuarial valuation is as follows:

Amortization method	Level percent
Amortization period (perpetual)	30 years
Asset valuation method	Five-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 June 30, 2016

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, 2016

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 Revenue</u>	<u>Total Expenditures</u>	<u>Change in Fund Balance</u>
General Fund			
Amounts per operating statement	\$ 20,223,771	\$ 19,285,571	\$ 642,025
Operating transfers budgeted as expenditures	-	296,175	-
Reimbursements from other funds	1,255,016	1,255,016	-
Severance Reserve Fund budgeted separately from the General Fund	-	43,547	(43,547)
	<u>\$ 21,478,787</u>	<u>\$ 20,880,309</u>	<u>\$ 598,478</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	\$ 233,709	\$ 244,784	\$ (11,075)
Finance	439,195	449,907	(10,712)
Treasurer	217,822	221,170	(3,348)
Civil Service Commission	1,000	3,531	(2,531)
Public works:			
Public services	1,860,365	1,895,276	(34,911)
Planning	7,500	10,378	(2,878)
Community Development Block Grant Fund			
Public Works	155,658	175,090	(19,432)

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

Other Supplemental Information

City of Southgate, Michigan

		Special Revenue Funds			
		Major Street	Street Paving	Narcotics	
		Fund	Fund	Enforcement	Library
Assets					
Cash and investments		\$ 997,990	\$ 80,043	\$ 309,686	\$ 636,889
Receivables - Net		112,368	-	-	20,165
Due from component units		-	-	-	-
Advances to other funds		-	194,089	-	-
Prepaid expenses and other assets		-	-	-	486
	Total assets	\$ 1,110,358	\$ 274,132	\$ 309,686	\$ 657,540
Liabilities					
Accounts payable		\$ 20,329	\$ 1,979	\$ 50,268	\$ 13,474
Accrued liabilities and other		-	22,500	-	8,479
	Total liabilities	20,329	24,479	50,268	21,953
Fund Balances					
Nonspendable					
Prepays		-	-	-	486
Long-term receivable		-	194,089	-	-
Restricted:					
Roads		1,090,029	55,564	-	-
Narcotics enforcement		-	-	259,418	-
Debt service		-	-	-	-
Library		-	-	-	635,101
District court capital improvement		-	-	-	-
Committed		-	-	-	-
Assigned		-	-	-	-
	Total fund balances	1,090,029	249,653	259,418	635,587
	Total liabilities and fund balances	\$ 1,110,358	\$ 274,132	\$ 309,686	\$ 657,540

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016**

Debt Service Funds			Capital Projects Funds		Total
SCI 541 Bond	Michigan Transportation Bond	Building Authority Fund	Capital Improvement Fund	District Court Capital Improvement	Nonmajor Governmental Funds
\$ 4,963	\$ 108,556	\$ 146,639	\$ 1,016,732	\$ 209,841	\$ 3,511,339
-	-	-	-	13,112	145,645
-	-	-	45,056	-	45,056
-	-	-	-	-	194,089
-	-	-	-	-	486
\$ 4,963	\$ 108,556	\$ 146,639	\$ 1,061,788	\$ 222,953	\$ 3,896,615
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,050
-	-	-	-	-	30,979
-	-	-	-	-	117,029
-	-	-	-	-	486
-	-	-	-	-	194,089
-	-	-	-	-	1,145,593
-	-	-	-	-	259,418
4,963	108,556	146,639	-	-	260,158
-	-	-	-	-	635,101
-	-	-	-	222,953	222,953
-	-	-	835,951	-	835,951
-	-	-	225,837	-	225,837
4,963	108,556	146,639	1,061,788	222,953	3,779,586
\$ 4,963	\$ 108,556	\$ 146,639	\$ 1,061,788	\$ 222,953	\$ 3,896,615

City of Southgate, Michigan

	Special Revenue Funds			
	Major Street Fund	Street Paving Fund	Narcotics Enforcement	Library
Revenue				
Property taxes	\$ -	\$ 1,226,126	\$ -	\$ 558,051
Federal grants	-	-	45,336	-
State sources	1,316,998	-	100,905	9,759
Charges for services	-	-	-	-
Investment income	1,300	2,438	501	447
Other revenue	-	-	-	38,376
Total revenue	1,318,298	1,228,564	146,742	606,633
Expenditures - Current				
General government	-	-	-	-
Public safety	-	-	318,728	-
Public works	820,717	1,200,028	-	-
Recreation and culture - Library	-	-	-	474,590
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest on long-term debt	-	-	-	-
Total expenditures	820,717	1,200,028	318,728	474,590
Excess of Revenue Over (Under) Expenditures	497,581	28,536	(171,986)	132,043
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(351,241)	-	-	(102,457)
Total other financing (uses) sources	(351,241)	-	-	(102,457)
Net Change in Fund Balances	146,340	28,536	(171,986)	29,586
Fund Balances - Beginning of year	943,689	221,117	431,404	606,001
Fund Balances - End of year	\$ 1,090,029	\$ 249,653	\$ 259,418	\$ 635,587

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2016

Debt Service Funds			Capital Projects Fund		Total
SCI 541 Bond	Michigan Transportation Bond	Building Authority Fund	Capital Improvement Fund	District Court Capital Improvement	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,784,177
-	-	-	-	-	45,336
-	-	-	-	-	1,427,662
-	-	-	-	124,883	124,883
-	-	-	935	-	5,621
-	-	710,859	-	-	749,235
-	-	710,859	935	124,883	4,136,914
-	-	500	-	-	500
-	-	-	-	-	318,728
-	-	-	-	-	2,020,745
-	-	-	-	-	474,590
-	-	-	32,017	-	32,017
-	-	895,000	-	121,155	1,016,155
-	-	173,696	-	14,500	188,196
-	-	1,069,196	32,017	135,655	4,050,931
-	-	(358,337)	(31,082)	(10,772)	85,983
-	-	398,632	-	-	398,632
-	-	-	-	-	(453,698)
-	-	398,632	-	-	(55,066)
-	-	40,295	(31,082)	(10,772)	30,917
4,963	108,556	106,344	1,092,870	233,725	3,748,669
\$ 4,963	\$ 108,556	\$ 146,639	\$ 1,061,788	\$ 222,953	\$ 3,779,586

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	\$ -	\$ 2,414,177	\$ 302,944	\$ 1,192,609	\$ 3,909,730
Investments:					
Certificate of deposits	-	-	2,072,190	-	2,072,190
U.S. government securities	-	4,410	-	-	4,410
Stocks and mutual funds	-	37,005,179	-	-	37,005,179
Mortgage-backed securities	-	50,876	-	-	50,876
Receivables:					
Accrued interest receivable	-	55,784	-	-	55,784
Other receivables	-	286,346	291,207	176,195	753,748
Prepaid expenses	-	-	-	115,898	115,898
Total assets	-	39,816,772	2,666,341	1,484,702	43,967,815
Liabilities					
Accounts payable	-	244,724	9,054	11,862	265,640
Due to other governmental units	-	-	-	-	-
Cash bonds and deposits	-	-	-	-	-
Total liabilities	-	244,724	9,054	11,862	265,640
Net Position Held in Trust for Pension and Other Employee Benefits	\$ -	\$ 39,572,048	\$ 2,657,287	\$ 1,472,840	\$ 43,702,175

Other Supplemental Information
Combining Statement of Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2016

Agency Funds

Tax Collection	Senior Citizens' Trust	Escrow Fund	Total Agency Funds
\$ 95,086	\$ 53,438	\$ 414,586	\$ 563,110
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ 95,086	\$ 53,438	\$ 414,586	\$ 563,110
\$ -	\$ -	\$ -	\$ -
95,086	-	-	95,086
-	53,438	414,586	468,024
\$ 95,086	\$ 53,438	\$ 414,586	\$ 563,110

City of Southgate, Michigan

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2016

	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	\$ 28,228	\$ 993,697	\$ 33,561	\$ 3,492	\$ 1,058,978
Net (decrease) increase in fair value of investments	(509,379)	(1,976,815)	25,815	-	(2,460,379)
Investment-related expenses	(57,724)	(235,887)	-	-	(293,611)
Net investment income (loss)	(538,875)	(1,219,005)	59,376	3,492	(1,695,012)
Contributions:					
Employer	253,741	2,580,266	1,169,529	1,775,195	5,778,731
Employee	70,540	337,603	29,901	15,965	454,009
Net contributions	324,281	2,917,869	1,199,430	1,791,160	6,232,740
Total additions - Net	(214,594)	1,698,864	1,258,806	1,794,652	4,537,728
Deductions					
Benefit payments	827,631	5,257,307	1,096,029	1,714,091	8,895,058
Transfer of assets to MERS	17,640,206	-	-	-	17,640,206
Total deductions	18,467,837	5,257,307	1,096,029	1,714,091	26,535,264
Net (Decrease) Increase in Net Position Held in Trust	(18,682,431)	(3,558,443)	162,777	80,561	(21,997,536)
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year					
	18,682,431	43,130,491	2,494,510	1,392,279	65,699,711
Net Position Held in Trust for Pension and Other Employee Benefits - End of year					
	\$ -	\$ 39,572,048	\$ 2,657,287	\$ 1,472,840	\$ 43,702,175