
City of Southgate, Michigan

**Financial Report
with Supplemental Information
June 30, 2018**

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council

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, 2018 and the related notes to the financial statements, which collectively comprise the City of Southgate, Michigan's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Southgate, Michigan as of June 30, 2018 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and
Members of the City Council

Emphasis of Matter

As discussed in Note 15 to the financial statements, during the year ended June 30, 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of implementing this pronouncement, the City's net OPEB liability has been recognized on the government-wide and proprietary fund statements and, as discussed in Note 15, the beginning of year net position been restated. Our opinion is not modified with respect to this matter.

Required Supplemental Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2018 on our consideration of the City of Southgate, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Southgate, Michigan's internal control over financial reporting and compliance.



October 17, 2018

Our discussion and analysis of the City of Southgate, Michigan's 2018 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, 2018. 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, 2018:

- Property taxes are the City's single largest source of revenue. The City's taxable value for fiscal year 2018 was \$669,853,360, which represents an increase of \$9,787,520, or 1.46 percent.
- The City closely monitors discretionary spending by performing periodic budget adjustments. As a result, fund balance in the General Fund increased by \$857,392.
- The City continues to eliminate its outstanding debt in the governmental activities. The City has reduced its outstanding debt since 2009 by 55.9 percent. As a result, the outstanding debt for fiscal year 2018 is \$6,203,839.

Using this Annual Report

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

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

City of Southgate, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

The following tables show, in a condensed format, the net position as of June 30, 2018 compared to the prior year:

City's Net Position

	Governmental Activities			Percent Change
	2017*	2018	Change	
Assets				
Current and other assets	\$ 18,543,266	\$ 20,849,157	\$ 2,305,891	12.4
Capital assets	62,874,706	62,289,457	(585,249)	(0.9)
Total assets	81,417,972	83,138,614	1,720,642	2.1
Deferred Outflows of Resources	8,190,846	4,460,441	(3,730,405)	(45.5)
Liabilities				
Current liabilities	2,118,437	1,877,112	(241,325)	(11.4)
Long-term liabilities	130,530,938	117,595,249	(12,935,689)	(9.9)
Total liabilities	132,649,375	119,472,361	(13,177,014)	(9.9)
Deferred Inflows of Resources	1,442,556	9,488,700	8,046,144	557.8
Net Position				
Net investment in capital assets	56,003,068	56,372,359	369,291	0.7
Restricted	12,216,524	13,985,585	1,769,061	14.5
Unrestricted	(112,702,705)	(111,719,950)	982,755	(0.9)
Total net position	\$ (44,483,113)	\$ (41,362,006)	\$ 3,121,107	(7.0)
Business-type Activities				
	2017*	2018	Change	Percent Change
Assets				
Current and other assets	\$ 6,081,136	\$ 8,314,753	\$ 2,233,617	36.7
Capital assets	34,926,460	37,961,330	3,034,870	8.7
Total assets	41,007,596	46,276,083	5,268,487	12.8
Deferred Outflows of Resources	411,545	100,071	(311,474)	(75.7)
Liabilities	16,966,553	17,801,457	834,904	4.9
Deferred Inflows of Resources	260,029	709,907	449,878	173.0
Net Position				
Net investment in capital assets	27,325,846	27,470,159	144,313	0.5
Restricted	2,699,423	3,001,336	301,913	11.2
Unrestricted	(5,832,710)	(2,606,705)	3,226,005	(55.3)
Total net position	\$ 24,192,559	\$ 27,864,790	\$ 3,672,231	15.2

*Amounts have been restated for the implementation of GASB Statement No. 75.

City of Southgate, Michigan

Management's Discussion and Analysis (Continued)

The City's combined net position increased from approximately \$20.3 million deficit to approximately \$13.5 million deficit, an increase of approximately 33 percent from a year ago. As we look at governmental activities separately from the business-type activities, we can see that net position increased by approximately \$3,121,000 in governmental activities. Last fiscal year, the net position of the governmental activities decreased by approximately \$2,301,000. The year-over-year change is primarily the result of slight decrease in public safety program expenses.

Business-type activities net position increased by approximately \$3,672,000. Business-type activities comprise approximately \$27.9 million of the total net position. The year-over-year change is primarily due to various decreases in operating expenses.

Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, increased by approximately \$983,000 for governmental activities and increased by \$3.2 million for business-type activities. The current level of unrestricted net position stands at a deficit of \$111.7 million for governmental activities and a deficit of \$2.6 million for business-type activities. Restricted net position for business-type activities totaled \$3,001,336 at June 30, 2018 and increased by 11.2 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/Myandotte drain operation and maintenance, library services, debt service, and narcotics enforcement.

City's Changes in Net Position

	Governmental Activities			Percent Change
	2017*	2018	Change	
Revenue				
Program revenue:				
Charges for services	\$ 4,918,921	\$ 4,774,571	\$ (144,350)	(2.9)
Operating grants	3,434,090	3,832,836	398,746	11.6
Capital grants	165,990	72,056	(93,934)	(56.6)
General revenue:				
Taxes - Property taxes	15,743,976	17,464,419	1,720,443	10.9
State-shared revenue	3,074,335	3,524,982	450,647	14.7
Investment earnings	61,088	220,042	158,954	260.2
Other revenue	546	30,108	29,562	5,414.3
Total revenue	27,398,946	29,919,014	2,520,068	9.2
Expenses				
General government	5,302,476	5,184,661	(117,815)	(2.2)
28th District Court	1,235,893	1,208,620	(27,273)	(2.2)
Public safety	13,533,282	12,242,827	(1,290,455)	(9.5)
Public works	7,390,494	6,247,430	(1,143,064)	(15.5)
Recreation and culture	1,995,331	1,697,819	(297,512)	(14.9)
Interest on long-term debt	242,346	216,550	(25,796)	(10.6)
Total expenses	29,699,822	26,797,907	(2,901,915)	(9.8)
Change in Net Position	(2,300,876)	3,121,107	5,421,983	(235.6)
Net Position - Beginning of year	(42,182,237)	(44,483,113)	(2,300,876)	5.5
Net Position - End of year	\$ (44,483,113)	\$ (41,362,006)	\$ 3,121,107	(7.0)

Management's Discussion and Analysis (Continued)

	Business-type Activities			Percent Change
	2017*	2018	Change	
Revenue				
Operating revenue	\$ 7,449,514	\$ 7,618,845	\$ 169,331	2.3
Nonoperating revenue:				
Property taxes	978,915	893,406	(85,509)	(8.7)
Investment earnings	18,953	26,228	7,275	38.4
Income from joint venture	-	1,620,651	1,620,651	DIV/0
Total revenue	8,447,382	10,159,130	1,711,748	20.3
Expenses				
Water and Sewer	6,527,074	6,166,307	(360,767)	(5.5)
Golf Course	309,323	320,592	11,269	3.6
Total expenses	6,836,397	6,486,899	(349,498)	(5.1)
Change in Net Position	1,610,985	3,672,231	2,061,246	127.9
Net Position - Beginning of year	22,581,574	24,192,559	1,610,985	7.1
Net Position - End of year	<u>\$ 24,192,559</u>	<u>\$ 27,864,790</u>	<u>\$ 3,672,231</u>	15.2

*Amounts have been restated for the implementation of GASB Statement No. 75.

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 has an operating income of \$1,420,381, while the Golf Course Fund has operating loss of \$48,227. Excluding depreciation, the Water and Sewer Fund had an operating income of \$2,640,559, while the Golf Course Fund had an operating loss of \$19,468.

The City's Funds

The analysis of the City's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2018 include the General Fund, the Community Development Block Grant Fund, and the Southgate-Wyandotte Operation and Maintenance Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of \$11,923,402 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 20.9 percent, or \$3,792,241, of total governmental fund balances. The General Fund's fund balance, which includes the Severance Reserve Fund, increased by \$857,392 from the prior year.

Fund balance of the Community Development Block Grant Fund increased \$226,750 from the prior year.

Fund balance of the Southgate-Wyandotte Operation and Maintenance Fund increased \$197,948 from the prior year. The increase in fund balance is due to a decrease in construction work performed in fiscal year 2018.

General Fund Budgetary Highlights

During the current year, actual revenue exceeded actual expenditures by \$778,160. The City departments overall were over budget by \$261,735, but revenue exceeded budget by \$1,039,497. The primary expenditure variance of \$116,290 in transfers to other funds related to increased workers' compensation claims reported in an internal service fund that is funded by transfers from the General Fund. Overall, the General Fund's unassigned fund balance increased by \$5,290 in the current year, from \$977,781 a year ago to \$983,071 at June 30, 2018.

Capital Assets and Debt Administration

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

At the end of 2018, the City had approximately \$100.3 million (net of depreciation) invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines, as well as roads within the City. Additional information on the City's capital assets can be found in Note 5 to the financial statements.

The City's total indebtedness as of June 30, 2018 was \$16.7 million. Of this amount, \$7.1 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 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

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

We anticipate that the water and sewer rates will have to increase somewhat in 2018. We are in the process of evaluating the amount of increase that will be needed and will likely have a public hearing in 2018 to discuss the need for such an increase.

Contacting the City's Management

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

June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 17,801,037	\$ 1,138,197	\$ 18,939,234	\$ 1,386,435
Receivables - Net:				
Property taxes receivable	1,135	-	1,135	-
Special assessments receivable	1,242,501	-	1,242,501	-
Customer receivables	-	2,328,629	2,328,629	-
Other receivables	278,869	-	278,869	13,651
Due from other governments	1,115,516	-	1,115,516	113,744
Due from component units (Note 6)	45,056	-	45,056	-
Due from primary government (Note 6)	-	-	-	6,320
Internal balances	194,089	(194,089)	-	-
Inventory	-	35,370	35,370	-
Prepays expenses	170,954	20,760	191,714	-
Restricted assets (Note 8)	-	3,001,336	3,001,336	-
Investment in joint ventures (Note 13)	-	1,984,550	1,984,550	-
Capital assets: (Note 5)				
Assets not subject to depreciation	3,386,602	631,649	4,018,251	-
Assets subject to depreciation - Net	58,902,855	37,329,681	96,232,536	591,621
Total assets	83,138,614	46,276,083	129,414,697	2,111,771
Deferred Outflows of Resources				
Deferred charges on bond refunding	286,741	-	286,741	-
Deferred pension costs (Note 11)	4,057,526	87,397	4,144,923	-
Deferred OPEB costs (Note 12)	116,174	12,674	128,848	-
Total deferred outflows of resources	4,460,441	100,071	4,560,512	-
Liabilities				
Accounts payable	658,679	605,921	1,264,600	39,620
Due to component units (Note 6)	6,320	-	6,320	-
Due to primary government (Note 6)	-	-	-	45,056
Cash bonds and deposits	224,447	-	224,447	-
Accrued liabilities and other	865,830	21,725	887,555	15,578
Unearned revenue	121,836	-	121,836	-
Noncurrent liabilities:				
Due within one year:				
Current portion of compensated absences (Note 7)	791,064	69,007	860,071	-
Provision for claims (Note 7)	21,000	-	21,000	-
Current portion of long-term debt (Note 7)	944,175	992,396	1,936,571	-
Due in more than one year:				
Compensated absences - Net of current portion (Note 7)	1,469,118	56,460	1,525,578	-
Provision for claims (Note 7)	49,000	-	49,000	-
Net pension liability (Note 11)	33,989,159	1,838,170	35,827,329	-
Net OPEB obligation (Note 12)	75,072,069	4,719,003	79,791,072	-
Long-term debt - Net of current portion (Note 7)	5,259,664	9,498,775	14,758,439	-
Total liabilities	119,472,361	17,801,457	137,273,818	100,254
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 11)	900,753	113,577	1,014,330	-
Deferred OPEB cost reductions (Note 12)	8,587,947	596,330	9,184,277	-
Total deferred inflows of resources	9,488,700	709,907	10,198,607	-

City of Southgate, Michigan

Statement of Net Position (Continued)

June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net investment in capital assets	\$ 56,372,359	\$ 27,470,159	\$ 83,842,518	\$ 591,621
Restricted:				
Street expenses	6,341,070	-	6,341,070	-
Debt service	258,768	-	258,768	-
Capital Improvement	40,945	3,001,336	3,042,281	-
Police and fire retirement	456,407	-	456,407	-
Southgate/Wyandotte drain operation and maintenance	6,007,430	-	6,007,430	-
Library	561,401	-	561,401	-
Narcotics enforcement	310,401	-	310,401	-
Low-income housing	9,163	-	9,163	-
Unrestricted	(111,719,950)	(2,606,705)	(114,326,655)	1,419,896
Total net position	\$ (41,362,006)	\$ 27,864,790	\$ (13,497,216)	\$ 2,011,517

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	\$ 5,184,661	\$ 937,722	\$ 214,186	\$ -
District court	1,208,620	1,409,564	45,724	-
Public safety	12,242,827	60,661	153,233	72,056
Public works	6,247,430	1,824,119	2,696,916	-
Recreation and culture	1,697,819	542,505	722,777	-
Interest on long-term debt	216,550	-	-	-
Total governmental activities	26,797,907	4,774,571	3,832,836	72,056
Business-type activities:				
Water and Sewer	6,166,307	7,346,480	-	-
Golf Course	320,592	272,365	-	-
Total business-type activities	6,486,899	7,618,845	-	-
Total primary government	\$ 33,284,806	\$ 12,393,416	\$ 3,832,836	\$ 72,056
Component units:				
Tax Increment Financing Authority	\$ 699,185	\$ -	\$ -	\$ -
Downtown Development Authority	274,697	-	-	-
Southern Michigan Information Alliance	680,480	620,231	-	55,000
Total component units	\$ 1,654,362	\$ 620,231	\$ -	\$ 55,000

General revenue:
 Property taxes
 Unrestricted state-shared revenue
 Unrestricted investment income
 Gain on sale of capital assets
 Change in value of joint venture
 Other miscellaneous income

Total general revenue

Change in Net Position

Net Position - Beginning of year - As restated

Net Position - End of year

Statement of Activities

Year Ended June 30, 2018

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (4,032,753)	\$ -	\$ (4,032,753)	\$ -
246,668	-	246,668	-
(11,956,877)	-	(11,956,877)	-
(1,726,395)	-	(1,726,395)	-
(432,537)	-	(432,537)	-
(216,550)	-	(216,550)	-
(18,118,444)	-	(18,118,444)	-
-	1,180,173	1,180,173	-
-	(48,227)	(48,227)	-
-	1,131,946	1,131,946	-
(18,118,444)	1,131,946	(16,986,498)	-
-	-	-	(699,185)
-	-	-	(274,697)
-	-	-	(5,249)
-	-	-	(979,131)
17,464,419	893,406	18,357,825	849,219
3,524,982	-	3,524,982	-
220,042	26,228	246,270	35,662
7,692	-	7,692	-
-	1,620,651	1,620,651	-
22,416	-	22,416	34,243
21,239,551	2,540,285	23,779,836	919,124
3,121,107	3,672,231	6,793,338	(60,007)
(44,483,113)	24,192,559	(20,290,554)	2,071,524
\$ (41,362,006)	\$ 27,864,790	\$ (13,497,216)	\$ 2,011,517

City of Southgate, Michigan

Governmental Funds Balance Sheet

June 30, 2018

	General Fund	Community Development Block Grant Fund	Southgate- Wyandotte Operation and Maintenance Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 4,663,745	\$ 293,436	\$ 4,830,562	\$ 8,013,294	\$ 17,801,037
Receivables - Net:					
Property taxes receivable	1,135	-	-	-	1,135
Special assessments receivable	-	-	1,242,501	-	1,242,501
Other receivables	278,869	-	-	-	278,869
Due from other governments	674,882	1,515	-	439,119	1,115,516
Due from component units (Note 6)	-	-	-	45,056	45,056
Due from other funds (Note 6)	198,266	4,000	-	76,749	279,015
Advances to other funds (Note 6)	-	-	-	194,089	194,089
Prepaid expenses	168,465	-	-	2,489	170,954
Total assets	\$ 5,985,362	\$ 298,951	\$ 6,073,063	\$ 8,770,796	\$ 21,128,172
Liabilities					
Accounts payable	\$ 475,639	\$ 600	\$ 39,882	\$ 136,343	\$ 652,464
Due to component units (Note 6)	6,320	-	-	-	6,320
Due to other funds (Note 6)	366,035	176,515	25,751	76,749	645,050
Cash bonds and deposits	224,447	-	-	-	224,447
Accrued liabilities and other	568,105	-	-	31,377	599,482
Unearned revenue	-	121,836	-	-	121,836
Total liabilities	1,640,546	298,951	65,633	244,469	2,249,599
Deferred Inflows of Resources					
Unavailable revenue - State sources	539,698	-	-	-	539,698
Unavailable revenue - Special assessments	12,877	-	159,980	-	172,857
Unavailable revenue - Grants	-	1,515	-	-	1,515
Total deferred inflows of resources	552,575	1,515	159,980	-	714,070
Total liabilities and deferred inflows of resources	2,193,121	300,466	225,613	244,469	2,963,669

Governmental Funds
Balance Sheet (Continued)

June 30, 2018

	General Fund	Community Development Block Grant Fund	Southgate-Wyandotte Operation and Maintenance Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances					
Nonspendable:					
Prepays	\$ 168,465	\$ -	\$ -	\$ 2,489	\$ 170,954
Long-term receivable	-	-	-	194,089	194,089
Restricted:					
Roads	-	-	-	6,146,981	6,146,981
Narcotics enforcement	-	-	-	310,401	310,401
Debt service	-	-	-	258,768	258,768
Unspent property tax proceeds - Police and fire pension	456,407	-	-	-	456,407
Low-income housing	9,163	-	-	-	9,163
Southgate-Wyandotte O&M Library	-	-	5,847,450	-	5,847,450
District Court capital improvement	-	-	-	40,945	40,945
Committed (Note 9)	722,635	-	-	787,670	1,510,305
Assigned (Note 9)	1,452,500	-	-	226,072	1,678,572
Unassigned	983,071	(1,515)	-	-	981,556
Total fund balances	3,792,241	(1,515)	5,847,450	8,526,327	18,164,503
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,985,362	\$ 298,951	\$ 6,073,063	\$ 8,770,796	\$ 21,128,172

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2018

Fund Balances Reported in Governmental Funds	\$	18,164,503
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		62,289,457
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds		714,070
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds		(6,203,839)
Deferred charges on bond refundings are not amortized over the related bond terms and are not reported in the funds		286,741
Accrued interest is not due and payable in the current period and is not reported in the funds		(38,348)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:		
Employee compensated absences		(2,260,182)
Pension benefits		(33,989,159)
Retiree healthcare benefits		(75,072,069)
Deferred inflows of resources related to pension are not reported in the funds		(900,753)
Deferred outflows of resources related to pension are not reported in the funds		4,057,526
Deferred inflows of resources related to OPEB are not reported in the funds		(8,587,947)
Deferred outflows of resources related to OPEB are not reported in the funds		116,174
Other long-term liabilities, such as claims and judgments, landfill closure and postclosure costs, and net pension obligations, do not present a claim on current financial resources and are not reported as fund liabilities		(70,000)
Internal service funds are included as part of governmental activities		131,820
Net Position of Governmental Activities	\$	<u>(41,362,006)</u>

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2018

	General Fund	Community Development Block Grant Fund	Southgate- Wyandotte Operation and Maintenance Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 15,679,941	\$ -	\$ -	\$ 1,784,478	\$ 17,464,419
Special assessments	-	-	1,204,976	-	1,204,976
Intergovernmental:					
Federal grants	33,279	404,751	-	66,447	504,477
State sources	3,700,941	-	-	2,782,332	6,483,273
Charges for services	617,346	-	-	109,067	726,413
Fines and forfeitures	1,299,924	-	-	-	1,299,924
Licenses and permits	658,645	-	-	-	658,645
Rental and interest income	785,869	-	43,157	107,777	936,803
Other revenue	120,608	-	-	719,111	839,719
Total revenue	<u>22,896,553</u>	<u>404,751</u>	<u>1,248,133</u>	<u>5,569,212</u>	<u>30,118,649</u>
Expenditures					
Current services:					
General government	4,609,584	-	-	500	4,610,084
28th District Court	1,098,138	-	-	-	1,098,138
Public safety	11,923,402	-	-	67,103	11,990,505
Public works	3,388,404	178,001	1,050,185	2,595,454	7,212,044
Recreation and culture	714,058	-	-	482,388	1,196,446
Capital outlay	-	-	-	234,182	234,182
Debt service	-	-	-	1,148,415	1,148,415
Total expenditures	<u>21,733,586</u>	<u>178,001</u>	<u>1,050,185</u>	<u>4,528,042</u>	<u>27,489,814</u>
Excess of Revenue Over Expenditures	1,162,967	226,750	197,948	1,041,170	2,628,835
Other Financing Sources (Uses)					
Transfers in	-	-	-	899,165	899,165
Transfers out	(305,575)	-	-	(593,590)	(899,165)
Total other financing (uses) sources	<u>(305,575)</u>	<u>-</u>	<u>-</u>	<u>305,575</u>	<u>-</u>
Net Change in Fund Balances	857,392	226,750	197,948	1,346,745	2,628,835
Fund Balances - Beginning of year	2,934,849	(228,265)	5,649,502	7,179,582	15,535,668
Fund Balances - End of year	<u>\$ 3,792,241</u>	<u>\$ (1,515)</u>	<u>\$ 5,847,450</u>	<u>\$ 8,526,327</u>	<u>\$ 18,164,503</u>

Governmental Funds

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

Year Ended June 30, 2018

Net Change in Fund Balance Reported in Governmental Funds	\$ 2,628,835
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	2,448,851
Depreciation expense	(3,010,466)
Net book value of assets disposed of	(23,634)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(145,086)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	992,903
The change in deferred charges on bond refunding balance is recorded in the statement of activities	(46,608)
Interest expense is recognized in the government-wide statements as it accrues	15,233
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	203,479
Internal service funds are included as part of governmental activities	<u>57,600</u>
Change in Net Position of Governmental Activities	<u><u>\$ 3,121,107</u></u>

Proprietary Funds
Statement of Net Position

June 30, 2018

	Enterprise Funds			Governmental
	Water and Sewer	Nonmajor Enterprise - Golf Course	Total	Internal Service Fund - Workers' Compensation
Assets				
Current assets:				
Cash and investments	\$ 1,135,427	\$ 2,770	\$ 1,138,197	\$ -
Customer receivables	2,324,287	4,342	2,328,629	-
Due from other funds (Note 6)	-	-	-	366,035
Inventory	35,370	-	35,370	-
Prepays expenses	19,921	839	20,760	-
Total current assets	3,515,005	7,951	3,522,956	366,035
Noncurrent assets:				
Restricted assets (Note 8)	3,001,336	-	3,001,336	-
Investment in joint ventures (Note 13)	1,984,550	-	1,984,550	-
Capital assets: (Note 5)				
Assets not subject to depreciation	477,204	154,445	631,649	-
Assets subject to depreciation - Net	37,008,458	321,223	37,329,681	-
Total noncurrent assets	42,471,548	475,668	42,947,216	-
Total assets	45,986,553	483,619	46,470,172	366,035
Deferred Outflows of Resources				
Deferred pension costs (Note 11)	87,397	-	87,397	-
Deferred OPEB costs (Note 12)	12,674	-	12,674	-
Total deferred outflows of resources	100,071	-	100,071	-
Liabilities				
Current liabilities:				
Accounts payable	600,427	5,494	605,921	6,215
Accrued liabilities and other	19,673	2,052	21,725	228,000
Current portion of compensated absences (Note 7)	69,007	-	69,007	-
Current portion of long-term debt (Note 7)	992,396	-	992,396	-
Total current liabilities	1,681,503	7,546	1,689,049	234,215
Noncurrent liabilities:				
Advances from other funds (Note 6)	-	194,089	194,089	-
Compensated absences - Net of current portion (Note 7)	56,460	-	56,460	-
Net pension liability (Note 11)	1,838,170	-	1,838,170	-
Net OPEB obligation (Note 12)	4,719,003	-	4,719,003	-
Long-term debt - Net of current portion (Note 7)	9,498,775	-	9,498,775	-
Total noncurrent liabilities	16,112,408	194,089	16,306,497	-
Total liabilities	17,793,911	201,635	17,995,546	234,215
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 11)	113,577	-	113,577	-
Deferred OPEB cost reductions (Note 12)	596,330	-	596,330	-
Total deferred inflows of resources	709,907	-	709,907	-

**Proprietary Funds
Statement of Net Position (Continued)**

June 30, 2018

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise - Golf Course	Total	Internal Service Fund - Workers' Compensation
Net Position				
Net investment in capital assets	\$ 26,994,491	\$ 475,668	\$ 27,470,159	\$ -
Restricted (Note 8)	3,001,336	-	3,001,336	-
Unrestricted	(2,413,021)	(193,684)	(2,606,705)	131,820
	<u>\$ 27,582,806</u>	<u>\$ 281,984</u>	<u>\$ 27,864,790</u>	<u>\$ 131,820</u>
Total net position				

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

Year Ended June 30, 2018

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise - Golf Course	Total	Internal Service Fund - Workers' Compensation
Operating Revenue				
Sale of water	\$ 2,742,528	\$ -	\$ 2,742,528	\$ -
Sewage disposal charges	3,381,459	-	3,381,459	-
Assessments	882,671	-	882,671	-
Other	339,822	-	339,822	-
Green fees and miscellaneous	-	272,365	272,365	-
Charges to other funds	-	-	-	236,290
Total operating revenue	7,346,480	272,365	7,618,845	236,290
Operating Expenses				
Cost of water	2,146,939	-	2,146,939	-
Cost of sewage treatment	1,539,712	-	1,539,712	-
Other operating and maintenance costs	306,415	267,365	573,780	-
Overhead and other	712,855	24,468	737,323	-
Contractual services	-	-	-	178,690
Depreciation	1,220,178	28,759	1,248,937	-
Total operating expenses	5,926,099	320,592	6,246,691	178,690
Operating Income (Loss)	1,420,381	(48,227)	1,372,154	57,600
Nonoperating Revenue (Expense)				
Property tax collections - EPA levy	893,406	-	893,406	-
Investment income	25,762	466	26,228	-
Revenue from joint venture	1,620,651	-	1,620,651	-
Interest expense	(240,208)	-	(240,208)	-
Total nonoperating revenue	2,299,611	466	2,300,077	-
Change in Net Position	3,719,992	(47,761)	3,672,231	57,600
Net Position - Beginning of year - As restated	23,862,814	329,745	24,192,559	74,220
Net Position - End of year	\$ 27,582,806	\$ 281,984	\$ 27,864,790	\$ 131,820

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2018

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise - Golf Course	Total	Internal Service Fund - Workers' Compensation
Cash Flows from Operating Activities				
Receipts from customers	\$ 7,198,346	\$ 268,023	\$ 7,466,369	\$ -
Receipts from interfund services and reimbursements	-	-	-	187,420
Payments to suppliers	(4,591,998)	(275,563)	(4,867,561)	-
Payments to employees and fringes	(1,005,614)	(21,832)	(1,027,446)	-
Internal activity - Payments to other funds	(119,932)	-	(119,932)	-
Claims paid	-	-	-	(187,420)
Net cash and cash equivalents provided by (used in) operating activities	1,480,802	(29,372)	1,451,430	-
Cash Flows from Capital and Related Financing Activities				
Issuance of bonds	3,333,326	-	3,333,326	-
Property taxes restricted for capital items	893,406	-	893,406	-
Purchase of capital assets	(3,821,601)	-	(3,821,601)	-
Principal and interest paid on capital debt	(1,386,673)	-	(1,386,673)	-
Net cash and cash equivalents used in capital and related financing activities	(981,542)	-	(981,542)	-
Cash Flows Provided by Investing Activities -				
Interest received on investments	25,762	466	26,228	-
Net Increase (Decreased) in Cash and Cash Equivalents	525,022	(28,906)	496,116	-
Cash and Cash Equivalents - Beginning of year	3,611,741	31,676	3,643,417	-
Cash and Cash Equivalents - End of year	\$ 4,136,763	\$ 2,770	\$ 4,139,533	\$ -
Classification of Cash and Cash Equivalents				
Cash and investments	\$ 1,135,427	\$ 2,770	\$ 1,138,197	\$ -
Restricted cash	3,001,336	-	3,001,336	-
Total cash and cash equivalents	\$ 4,136,763	\$ 2,770	\$ 4,139,533	\$ -

Proprietary Funds
Statement of Cash Flows (Continued)

Year Ended June 30, 2018

	Enterprise Funds			Governmental Activities
	Water and Sewer	Nonmajor Enterprise - Golf Course	Total	Internal Service Fund - Workers' Compensation
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 1,420,381	\$ (48,227)	\$ 1,372,154	\$ 57,600
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	1,220,178	28,759	1,248,937	-
Changes in assets and liabilities:				
Receivables	(148,134)	(4,342)	(152,476)	-
Due to and from other funds	(4,932)	-	(4,932)	(48,870)
Inventories	(5,504)	-	(5,504)	-
Prepaid and other assets	(17,681)	9	(17,672)	-
Accounts payable	190,919	(3,000)	187,919	-
Estimated claims liability	-	-	-	(8,730)
Net pension or OPEB liability	(1,942,351)	-	(1,942,351)	-
Deferrals related to pension or OPEB	761,352	-	761,352	-
Accrued and other liabilities	6,574	(2,571)	4,003	-
Total adjustments	60,421	18,855	79,276	(57,600)
Net cash and cash equivalents provided by (used in) operating activities	<u>\$ 1,480,802</u>	<u>\$ (29,372)</u>	<u>\$ 1,451,430</u>	<u>\$ -</u>

Noncash Capital and Related Financing Activities - During the current year, debt was issued on behalf of the City in the amount \$462,204 for construction related to the Downriver Sewage Disposal System. There was also an increase in the City's debt of \$343,782 due to an increase in the City's allocation of the Downriver Sewage Disposal System debt/assets due to an increase in the City's sewage flow compared to the total sewage flow of the system. In addition, there was an increase in investment in joint venture in the amount of \$1,620,651 related to the Downriver Sewage Disposal System. This activity was administrated by Wayne County, Michigan.

**Fiduciary Funds
Statement of Fiduciary Net Position**

June 30, 2018

	<u>Pension and Other Employee Benefit Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and investments	\$ 5,459,204	\$ 927,287
Investments:		
Certificate of deposits	2,074,547	-
U.S. government securities	3,113	-
Stocks and mutual funds	44,161,393	-
Mortgage-backed securities	41,533	-
Receivables - Net:		
Accrued interest receivable	66,033	-
Other receivables	-	319
Prepays expenses	109,754	-
Total assets	<u>51,915,577</u>	<u>\$ 927,606</u>
Liabilities		
Accounts payable	104,213	\$ -
Due to other governmental units	-	119,146
Cash bonds and deposits	-	808,460
Total liabilities	<u>104,213</u>	<u>\$ 927,606</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 51,811,364</u>	

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

Year Ended June 30, 2018

Additions

Investment income:

Interest and dividends	\$ 1,017,702
Net increase in fair value of investments	3,440,945
Investment-related expenses	<u>(294,595)</u>

Net investment income 4,164,052

Contributions:

Employer contributions	7,309,904
Employee contributions	<u>327,018</u>

Total contributions 7,636,922

Total additions 11,800,974

Deductions - Benefit payments 7,713,011

Net Increase in Net Position Held in Trust 4,087,963

Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year 47,723,401

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

**Component Units
Statement of Net Position**

June 30, 2018

	Tax Increment Financing Authority	Downtown Development Authority	Southern Michigan Information Alliance	Total
Assets				
Cash and investments	\$ 1,327,751	\$ 39,380	\$ 19,304	\$ 1,386,435
Due from other governmental units	-	13,651	113,744	127,395
Due from primary government (Note 6)	-	-	6,320	6,320
Capital assets - Net (Note 5)	-	591,621	-	591,621
Total assets	1,327,751	644,652	139,368	2,111,771
Liabilities				
Accounts payable	-	25,900	13,720	39,620
Due to primary government (Note 6)	-	-	45,056	45,056
Accrued liabilities and other	13,651	1,927	-	15,578
Total liabilities	13,651	27,827	58,776	100,254
Net Position				
Net investment in capital assets	-	591,621	-	591,621
Unrestricted	1,314,100	25,204	80,592	1,419,896
Total net position	\$ 1,314,100	\$ 616,825	\$ 80,592	\$ 2,011,517

City of Southgate, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Tax Increment Financing Authority	\$ 699,185	\$ -	\$ -	\$ -
Downtown Development Authority	274,697	-	-	-
Southern Michigan Information Alliance	680,480	620,231	-	55,000
Total	<u>\$ 1,654,362</u>	<u>\$ 620,231</u>	<u>\$ -</u>	<u>\$ 55,000</u>

General revenue:

- Property taxes
- Investment income
- Other miscellaneous income

Total general revenue

Transfers

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Component Units
Statement of Activities

Year Ended June 30, 2018

Net (Expense) Revenue and Changes in Net Position			
Tax Increment Financing Authority	Downtown Development Authority	Southern Michigan Information Alliance	Total
\$ (699,185)	\$ -	\$ -	\$ (699,185)
-	(274,697)	-	(274,697)
-	-	(5,249)	(5,249)
(699,185)	(274,697)	(5,249)	(979,131)
716,565	132,654	-	849,219
26,828	8,631	203	35,662
-	34,243	-	34,243
743,393	175,528	203	919,124
(5,000)	5,000	-	-
39,208	(94,169)	(5,046)	(60,007)
1,274,892	710,994	85,638	2,071,524
\$ 1,314,100	\$ 616,825	\$ 80,592	\$ 2,011,517

Note 1 - Significant Accounting Policies

Reporting Entity

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

Blended Component Units

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

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

Discretely Presented Component Units

The following component units are presented discretely from the City:

Tax Increment Financing Authority

The Tax Increment Financing Authority's (the "Authority") governing body, which consists of 11 individuals, is appointed by the mayor and approved by the City Council. In addition, the Authority's budget is subject to approval by the City Council.

Downtown Development Authority

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

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 Organizations

Jointly governed organizations are discussed in Note 13.

Note 1 - Significant Accounting Policies (Continued)

Accounting and Reporting Principles

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

Report Presentation

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

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

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

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

Basis of Accounting

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

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

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

Note 1 - Significant Accounting Policies (Continued)

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

Fund Accounting

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

Governmental Funds

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

- *General Fund* - The General Fund is the primary operating fund. It accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- *Community Development Block Grant Fund* - The Community Development Block Grant Fund accounts for community development grants and rehabilitation lien activity.
- *Southgate-Wyandotte Operation and Maintenance Fund* - The Southgate-Wyandotte Operation and Maintenance Fund accounts for the resources from special assessments that are restricted for the operation and maintenance of the Southgate-Wyandotte Drainage District.

Proprietary Funds

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

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

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

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

Note 1 - Significant Accounting Policies (Continued)

Interfund Activity

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

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

Specific Balances and Transactions

Cash and Investments

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

Receivables

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

Inventories and Prepaid Items

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

Restricted Assets

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

Capital Assets

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

Note 1 - Significant Accounting Policies (Continued)

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

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

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

Long-term Obligations

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

Deferred Outflows/Inflows of Resources

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

Note 1 - 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 future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. The deferred inflows of resources related to unavailable revenue are only reported in the governmental fund balance sheet. The governmental funds report unavailable revenue from three sources: grants, state-shared revenue, and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflows in the government-wide statement of net position and proprietary statement of net position are the difference between projected and actual earnings on pension plan investments. This amount is deferred and amortized over five years. The deferred inflows of resources related to the differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability and total OPEB liability are reported in the government-wide statement of net position and proprietary statement of net position. These amounts are deferred and amortized over the expected remaining service lives of all active and inactive employees who are provided with pensions and OPEB benefits. The deferred inflows on the government-wide statement of net position and proprietary statement of net position are the change in OPEB assumptions related to economic and demographic factors. This is deferred and amortized over the expected remaining service lives of all active and inactive employees who are provided with OPEB benefits.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

Note 1 - Significant Accounting Policies (Continued)

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as committed. The City Council has, by resolution, authorized the finance director to assign fund balance. The 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 2017 property tax revenue was levied and collectible on July 1, 2017 and is recognized as revenue in the year ended June 30, 2018 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2017 taxable valuation of the City totaled \$670 million (a portion of which is abated and a portion of which is captured by the TIFA and DDA), on which taxes levied consisted of 10.1366 mills for the City's operating purposes, 2.4326 mills for refuse, 10.56 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 1.3995 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 \$6,751,000 for operations, \$1,620,000 for refuse, \$7,033,000 for police and fire retirement, \$586,000 for the library's operations, \$1,288,000 for road construction, \$49,000 for parks and recreation, and \$893,000 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 2018, this amounted to \$88,307 and \$283,239 in foregone captures for the DDA and TIFA, respectively. These amounts are recognized in the General Fund as tax revenue.

Pension

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

Note 1 - Significant Accounting Policies (Continued)

Other Postemployment Benefits

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

Compensated Absences (Vacation and Sick Leave)

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

Proprietary Funds Operating Classification

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

Use of Estimates

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

Upcoming Accounting Pronouncements

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2018-2019 fiscal year.

Note 1 - Significant Accounting Policies (Continued)

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

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

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2019.

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

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

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

Cumulative surplus at July 1, 2017		\$	3,727
Current year permit revenue			564,007
Related expenses:			
Direct costs	\$	(499,780)	-
Estimated indirect costs		(70,344)	(570,124)
			<u>(5,420)</u>
Current year shortfall			(5,420)
Cumulative shortfall June 30, 2018		\$	<u>(7,810)</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.

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

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

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$21,389,000 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

The component units also maintain separate cash accounts from the City's pooled cash account. At year end, the component units had approximately \$27,911 of bank deposits, all of which were insured.

Interest Rate Risk

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

June 30, 2018

Note 3 - Deposits and Investments (Continued)

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

Fiduciary Funds	Fair Value	Less Than 5 Years	5-15 Years	Over 15 Years
Mortgage-backed securities	\$ 41,533	\$ -	\$ 891	\$ 40,642
U.S. government securities	3,113	-	437	2,676
Total	<u>\$ 44,646</u>	<u>\$ -</u>	<u>\$ 1,328</u>	<u>\$ 43,318</u>

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of June 30, 2018, 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	\$ 41,533	Not rated	N/A
U.S. government securities	3,113	Not rated	N/A
Money markets funds	<u>2,603,200</u>	AAA	Moody's
Total	<u>\$ 2,647,846</u>		

Concentration of Credit Risk

The City is authorized by the State's Pension Investment Act to invest in common stocks, real estate, and various other investment vehicles, subject to certain limitations. At June 30, 2018, 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 12.14 percent invested in PNC Intermediate Bond Fund, 9.13 percent invested in Edgewood Growth Fund, and 5.30 invested in JPMorgan Strategic Income Fund.

Risk and Uncertainties

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

Note 4 - Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using 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 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.

Note 4 - Fair Value Measurements (Continued)

The City has the following recurring fair value measurements as of June 30, 2018:

	Assets Measured at Fair Value on a Recurring Basis			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Debt securities:				
Mortgage-backed securities	\$ -	\$ 41,533	\$ -	\$ 41,533
U.S. government securities	-	3,113	-	3,113
Mutual funds - Fixed income	8,902,956	-	-	8,902,956
Total debt securities	8,902,956	44,646	-	8,947,602
Equity securities:				
Stock	26,989,710	-	-	26,989,710
ETF - Equity	2,578,027	-	-	2,578,027
Mutual funds - Equity	5,497,011	-	-	5,497,011
ADRs	-	193,689	-	193,689
Total equity securities	35,064,748	193,689	-	35,258,437
Total investments by fair value level	\$ 43,967,704	\$ 238,335	\$ -	\$ 44,206,039

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

The fair value of U.S. government securities and mortgage-backed securities at June 30, 2018 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

The fair value of ADRs at June 30, 2018 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs, such as the underlying security "best" price and exchange rate for the underlying security's currency against the U.S. dollar.

June 30, 2018

Note 5 - Capital Assets

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

Governmental Activities

	Balance July 1, 2017	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being depreciated - Land	\$ 3,386,602	\$ -	\$ -	\$ 3,386,602
Capital assets being depreciated:				
Infrastructure	85,632,857	2,014,827	-	87,647,684
Buildings and improvements	34,687,117	246,346	-	34,933,463
Machinery and equipment	8,921,394	114,961	-	9,036,355
Vehicles	3,533,068	-	(26,260)	3,506,808
Land improvements	2,701,182	72,717	-	2,773,899
Subtotal	135,475,618	2,448,851	(26,260)	137,898,209
Accumulated depreciation:				
Infrastructure	49,079,420	1,936,189	-	51,015,609
Buildings and improvements	14,243,102	715,586	-	14,958,688
Machinery and equipment	8,163,756	114,951	-	8,278,707
Vehicles	2,720,359	142,337	(2,626)	2,860,070
Land improvements	1,780,877	101,403	-	1,882,280
Subtotal	75,987,514	3,010,466	(2,626)	78,995,354
Net capital assets being depreciated	59,488,104	(561,615)	(23,634)	58,902,855
Net governmental activities capital assets	\$ 62,874,706	\$ (561,615)	\$ (23,634)	\$ 62,289,457

June 30, 2018

Note 5 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2017	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 169,445	\$ -	\$ -	\$ -	\$ 169,445
Construction in progress	913,192	(913,192)	462,204	-	462,204
Subtotal	1,082,637	(913,192)	462,204	-	631,649
Capital assets being depreciated:					
Water and sewer lines	53,636,726	913,192	3,765,517	-	58,315,435
Buildings and improvements	938,581	-	-	-	938,581
Machinery and equipment	2,277,939	-	7,834	-	2,285,773
Vehicles	2,238,770	-	48,252	-	2,287,022
Land improvements	631,708	-	-	-	631,708
Subtotal	59,723,724	913,192	3,821,603	-	64,458,519
Accumulated depreciation:					
Water and sewer lines	21,790,102	-	1,004,873	-	22,794,975
Buildings and improvements	532,460	-	19,823	-	552,283
Machinery and equipment	1,462,363	-	116,302	-	1,578,665
Vehicles	1,728,250	-	90,206	-	1,818,456
Land improvements	366,726	-	17,733	-	384,459
Subtotal	25,879,901	-	1,248,937	-	27,128,838
Net capital assets being depreciated	33,843,823	913,192	2,572,666	-	37,329,681
Net business-type activity capital assets	\$ 34,926,460	\$ -	\$ 3,034,870	\$ -	\$ 37,961,330

Component Units

	Balance July 1, 2017	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets being depreciated:					
Machinery and equipment	\$ 210,903	\$ -	\$ -	\$ -	\$ 210,903
Land improvements	660,338	-	65,667	-	726,005
Subtotal	871,241	-	65,667	-	936,908
Accumulated depreciation:					
Machinery and equipment	206,741	-	4,162	-	210,903
Land improvements	98,084	-	36,300	-	134,384
Subtotal	304,825	-	40,462	-	345,287
Net capital assets being depreciated	566,416	-	25,205	-	591,621
Net component units capital assets	\$ 566,416	\$ -	\$ 25,205	\$ -	\$ 591,621

June 30, 2018

Note 5 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 995,534
Public safety	228,485
Public works	1,158,730
Recreation and culture	571,678
District court	56,039
	<u>3,010,466</u>
Total governmental activities	<u>\$ 3,010,466</u>
Business-type activities:	
Water and sewer	\$ 1,220,178
Golf	28,759
	<u>1,248,937</u>
Total business-type activities	<u>\$ 1,248,937</u>
Component unit activities:	
Downtown Development Authority	\$ 36,300
Southeastern Michigan Information Alliance	4,162
	<u>40,462</u>
Total component unit activities	<u>\$ 40,462</u>

Construction Commitments

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

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
McCann Avenue Reconstruction	\$ -	\$ 1,409,885
Fordline Road Reconstruction	-	658,516
Street Sectioning	89,071	617,071
	<u>89,071</u>	<u>2,685,472</u>
Total	<u>\$ 89,071</u>	<u>\$ 2,685,472</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Community Development Block Grant Fund	\$ 176,515
	Southgate-Wyandotte Operation and Maintenance Fund	21,751
	Total General Fund	<u>198,266</u>
Community Development Block Grant Fund	Southgate-Wyandotte Operation and Maintenance Fund	4,000
Internal service fund - Workers' Compensation Fund	General Fund	366,035
Local Street Fund	Major Street Fund	76,749
	Total	<u>\$ 645,050</u>

June 30, 2018

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

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

Receivable Fund	Payable Fund	Amount
Street Paving Fund	Proprietary Fund - Golf Course Fund	\$ 194,089

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

Receivable Fund	Payable Fund	Amount
Nonmajor governmental funds	Southeastern Michigan Information Alliance	\$ 45,056
Southeastern Michigan Information Alliance	General Fund	6,320
	Total	<u>\$ 51,376</u>

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

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Nonmajor governmental funds	\$ 305,575
Nonmajor governmental funds	Nonmajor governmental funds	593,590
	Total	<u>\$ 899,165</u>

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

June 30, 2018

Note 7 - Long-term Debt

Long-term debt activity for the year ended June 30, 2018 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligations:							
Capital Improvement							
Refunding Bond Series							
2015A:							
Original issue: \$2,400,000		\$95,000 -					
Maturing through 2023	2.0% - 3.0%	375,000	\$ 1,675,000	\$ -	\$ (370,000)	\$ 1,305,000	\$ 370,000
Capital Improvement							
Refunding Bond Series							
2015B:							
Original issue: \$6,360,000		\$525,000 -					
Maturing through 2026	2.6%	\$650,000	5,300,000	-	(525,000)	4,775,000	540,000
28th District Court expansion							
installment purchase							
agreement:							
Original issue: \$950,000		\$73,230 -					
Maturing through 2018	4.35%	\$81,236	73,230	-	(73,230)	-	-
2006 City Hall heating/cooling							
capital lease:							
Original issue: \$313,000		\$7,243 -					
Maturing through 2021	4.98%	\$28,522	111,408	-	(24,673)	86,735	25,930
Unamortized bond issuance							
premiums							
			45,349	-	(8,245)	37,104	8,245
Total bonds payable			7,204,987	-	(1,001,148)	6,203,839	944,175
Compensated absences			2,202,050	608,142	(550,010)	2,260,182	791,064
Self-insurance claims			70,000	38,072	(38,072)	70,000	21,000
Total governmental activities			\$ 9,477,037	\$ 646,214	\$ (1,589,230)	\$ 8,534,021	\$ 1,756,239

June 30, 2018

Note 7 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and contracts payable:							
General obligation bonds -							
Sewage Disposal System Bonds (26 issues):							
Original issue: \$18,742,353		\$882,456 -					
Maturing through 2033	2.0% - 5.45%	\$1,131,478	\$ 7,324,742	\$ 805,987	\$ (1,228,804)	\$ 6,901,925	\$ 832,020
Tank rehabilitation bonds:							
Original issue: \$423,640		\$18,925 -					
Maturing through 2027	8.9%	\$31,751	212,138	-	(19,952)	192,186	20,376
Act 94 - Water and Sewer System revenue bonds - DWRf:							
Original issue: \$4,000,000		\$140,000 -					
Maturing through 2039	2.5%	\$250,000	63,734	3,333,326	-	3,397,060	140,000
Total bonds payable			7,600,614	4,139,313	(1,248,756)	10,491,171	992,396
Compensated absences			119,127	39,882	(33,542)	125,467	69,007
Total business-type activities			<u>\$ 7,719,741</u>	<u>\$ 4,179,195</u>	<u>\$ (1,282,298)</u>	<u>\$ 10,616,638</u>	<u>\$ 1,061,403</u>

During the year ended June 30, 2017, the City was approved for \$4,000,000 of Drinking Water Revolving Fund Bonds (DWRf). Under the DWRf program, bond proceeds are received as project costs are incurred. For the year ended June 30, 2018, the City drew an additional \$3,333,326 down on the loan. The amount outstanding at June 30, 2018 is \$3,397,060.

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.

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 935,930	\$ 159,790	\$ 1,095,720	\$ 992,396	\$ 257,921	\$ 1,250,317
2020	947,139	137,034	1,084,173	792,124	233,146	1,025,270
2021	978,522	113,922	1,092,444	749,490	213,075	962,565
2022	690,353	88,642	778,995	559,317	196,143	755,460
2023	705,000	68,390	773,390	576,239	179,423	755,662
2024-2028	1,909,791	100,100	2,009,891	3,097,930	642,585	3,740,515
2029-2032	-	-	-	2,350,265	261,762	2,612,027
2033-2037	-	-	-	1,373,410	37,108	1,410,518
Total	<u>\$ 6,166,735</u>	<u>\$ 667,878</u>	<u>\$ 6,834,613</u>	<u>\$ 10,491,171</u>	<u>\$ 2,021,163</u>	<u>\$ 12,512,334</u>

June 30, 2018

Note 8 - Restricted Assets

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

At June 30, 2018, restricted assets are composed of the following:

User fee - Cash and certificates of deposit	\$ 1,263,631
Wayne County Sewage Disposal System bonds - Assets held at the County for future debt payments	<u>1,737,705</u>
Total restricted net position	<u><u>\$ 3,001,336</u></u>

Net position in the amount of \$3,202,171 has been restricted. This amount represents restricted assets arising from the water and sewer public improvement, program user charge, and unspent property tax collections remitted to the county for future debt service payments on the Wayne County bonds noted above.

Note 9 - Fund Balance Constraints

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

	General Fund	Capital Projects Funds
Nonspendable - Prepaids	\$ 168,465	\$ -
Restricted:		
Unspent property tax proceeds - Police and fire pension	456,407	-
Low-income housing	<u>9,163</u>	<u>-</u>
Total restricted	465,570	-
Committed:		
County property tax chargebacks/MTT settlements	289,000	-
Computer software acquisition	2,635	-
Police cars	-	512,554
Property acquisition	-	115,116
Fire rescue equipment	-	160,000
Fire pumper	<u>431,000</u>	<u>-</u>
Total committed	722,635	787,670
Assigned:		
Workers' compensation	330,000	-
Severance reserve	687,500	-
Future working capital	275,000	-
Future OPEB	105,000	-
Golf course debt	30,000	-
Fire truck lease	25,000	-
Capital projects	<u>-</u>	<u>226,072</u>
Total assigned	<u>1,452,500</u>	<u>226,072</u>
Total nonspendable, restricted, committed, and assigned fund balances	<u><u>\$ 2,809,170</u></u>	<u><u>\$ 1,013,742</u></u>

Note 10 - Risk Management

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

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

	2018	2017
Unpaid claims - Beginning of year	\$ 298,000	\$ 170,000
Incurred claims, including claims incurred but not reported	180,050	294,950
Claim payments	(180,050)	(166,950)
Unpaid claims - End of year	\$ 298,000	\$ 298,000

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

Note 11 - Pension Plans

Plan Description

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

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

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

Benefits Provided

Municipal Employees' Retirement System

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

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

Note 11 - Pension Plans (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; and 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 nonduty disability retirement at 10 or more years of service and is computed as a regular retirement.

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

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

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

Policemen and Firemen Retirement System

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

Note 11 - Pension Plans (Continued)

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

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

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

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

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

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

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	Municipal Employees' Retirement System	Policemen and Firemen Retirement System
Date of member count	December 31, 2017	June 30, 2018
Inactive plan members or beneficiaries currently receiving benefits	80	93
Inactive plan members entitled to but not yet receiving benefits	4	3
Active plan members	<u>43</u>	<u>62</u>
Total employees covered by the plan	<u><u>127</u></u>	<u><u>158</u></u>

Contributions

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

Note 11 - Pension Plans (Continued)

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

For the year ended June 30, 2018, the average employee contribution rate was 10.0 percent of annual pay, and the City's average contribution rate was 36.03 percent of annual payroll for the MERS plan. For the year ended June 30, 2018, the Policemen and Firemen Retirement system's average employee contribution rate was 3.88 percent of annual pay, and the City's average contribution rate was 89.26 percent of annual payroll.

Net Pension Liability

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

	Municipal Employees' Retirement System	Policemen and Firemen Retirement System
Measurement date used for the City NPL	December 31, 2017	June 30, 2018
Based on a comprehensive actuarial valuation as of	December 31, 2017	June 30, 2017

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

Municipal Employees' Retirement System

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2016	\$ 29,164,527	\$ 18,719,289	\$ 10,445,238
Changes for the year:			
Service cost	283,916	-	283,916
Interest	2,257,931	-	2,257,931
Differences between expected and actual experience	(498,621)	-	(498,621)
Contributions - Employer	-	843,022	(843,022)
Contributions - Employee	-	234,732	(234,732)
Net investment income	-	2,422,144	(2,422,144)
Benefit payments, including refunds	(2,164,694)	(2,164,694)	-
Administrative expenses	-	(38,445)	38,445
Net changes	(121,468)	1,296,759	(1,418,227)
Balance at December 31, 2017	\$ 29,043,059	\$ 20,016,048	\$ 9,027,011

The plan's fiduciary net position represents 68.92 percent of the total pension liability.

Note 11 - Pension Plans (Continued)

Policemen and Firemen Retirement System

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2017	\$ 72,513,577	\$ 43,250,895	\$ 29,262,682
Changes for the year:			
Service cost	984,577	-	984,577
Interest	5,101,773	-	5,101,773
Differences between expected and actual experience	255,597	-	255,597
Contributions - Employer	-	4,321,173	(4,321,173)
Contributions - Employee	-	327,018	(327,018)
Net investment income	-	4,156,120	(4,156,120)
Benefit payments, including refunds	(5,273,158)	(5,273,158)	-
Net changes	1,068,789	3,531,153	(2,462,364)
Balance at June 30, 2018	\$ 73,582,366	\$ 46,782,048	\$ 26,800,318

The plan's fiduciary net position represents 63.58 percent of the total pension liability.

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

For the year ended June 30, 2018, the City recognized pension expense of \$213,246 and \$4,515,748 from Municipal Employees' Retirement System and Policemen and Firemen Retirement System, respectively.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Municipal Employees' Retirement System		Policemen and Firemen Retirement System	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 387,804	\$ 839,596	\$ 456,566
Changes in assumptions	-	-	2,541,753	-
Net difference between projected and actual earnings on pension plan investments	-	169,960	334,375	-
Employer contributions to the plan subsequent to the measurement date	429,199	-	-	-
Total	\$ 429,199	\$ 557,764	\$ 3,715,724	\$ 456,566

Note 11 - Pension Plans (Continued)

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

Years Ending June 30	Municipal Employees' Retirement System	Policemen and Firemen Retirement System
2019	\$ 111,780	\$ 1,869,451
2020	(161,505)	1,087,967
2021	(314,115)	99,891
2022	(193,924)	186,718
2023	-	15,131

Actuarial Assumptions

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

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

Discount Rate

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Note 11 - Pension Plans (Continued)

Investment Rate of Return

Best estimates of arithmetic real rates of return as of the December 31, 2017 MERS measurement date and June 30, 2018 Policemen and Firemen Retirement System measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Municipal Employees' Retirement System

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.50 %	8.65 %
Global fixed income	18.50	3.76
Real assets	13.50	9.72
Diversifying strategies	12.50	7.50

Policemen and Firemen Retirement System

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equities	35.00 %	7.20 %
International equities	25.00	7.20
Fixed income	18.00	2.70
Real estate	5.00	4.40
Absolute return/Hedge funds	5.00	3.30
Private equity	10.00	9.60
Cash or cash equivalents	2.00	1.30

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

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

	1 Percent Decrease	Current Discount Rate	1 Percent Increase
Net pension liability of the Municipal Employees' Retirement System	\$ 12,094,042	\$ 9,027,011	\$ 6,430,206
Net pension liability of the Policemen and Firemen Retirement System	34,992,676	26,800,318	19,913,958

Pension Plan Fiduciary Net Position

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

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

June 30, 2018

Note 11 - Pension Plans (Continued)

Investment Policy

The Policemen and Firemen Retirement System’s policy in regard to the allocation of invested assets is established and may be amended by the retirement board by a majority vote of its members. It is the policy of the retirement board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The retirement system’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the retirement board’s adopted asset allocation policy as of June 30, 2018:

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

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on Police and Firemen Retirement System investments, net of pension plan investment expense, was 11.97 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Plan Reserves - Policemen and Firemen Retirement System

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

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

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee and credits interest annually at a rate of 2 percent. For any employees who terminate before vesting in the pension plan, their balances are returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

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

The balances of the reserve accounts at June 30, 2018 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 67,933,257	\$ 41,132,939
Employee reserve	5,649,109	5,649,109
Employer reserve	-	-
Total	<u>\$ 73,582,366</u>	<u>\$ 46,782,048</u>

Note 12 - Other Postemployment Benefit Plans

Plan Description

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

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

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

Benefits Provided

Municipal Employees' Retiree Healthcare System and Policemen and Firemen Retiree Healthcare System provide healthcare, dental, and vision benefits for retirees and their spouses who are 60 years of age with 10 years of service or are 50 years of age with 25 years of service. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan. As of July, 1, 2008 and July, 1, 2017, the Municipal Employees' Retiree Healthcare System and the Policemen and Firemen Retiree Healthcare System were closed to new entrants, respectively.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

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

Contributions

The Policemen and Firemen Retiree Healthcare System's funding policy is that the employer will make discretionary contributions. There are no long-term contracts for contributions to the plans. The plans have no legally required reserves. For the year ended June 30, 2018, the City contributed \$2,123,403 to the Policemen and Firemen Retiree Healthcare System. Plan members are not required to contribute to the plan.

The Municipal Employees' Retiree Healthcare System's retiree healthcare costs are paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. In the current year, the City paid postemployment healthcare premiums of \$790,328, plus it contributed \$75,000 into a prefunded retiree healthcare fund, which is reported in these financial statements as a Pension and Other Employee Benefit Trust Fund type.

June 30, 2018

Note 12 - Other Postemployment Benefit Plans (Continued)

Net OPEB Liability

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

	<u>Municipal Employees' Retiree Healthcare System</u>	<u>Policemen and Firemen Retiree Healthcare System</u>
Measurement date used for the City NOL	June 30, 2018	June 30, 2018
Based on a comprehensive actuarial valuation as of	June 30, 2017	June 30, 2017

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

Municipal Employees' Retiree Healthcare System

<u>Changes in Net OPEB Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Net Position</u>	<u>Net OPEB Liability</u>
Balance at July 1, 2017	\$ 36,153,645	\$ 2,739,101	\$ 33,414,544
Changes for the year:			
Service cost	651,218	-	651,218
Interest	1,283,324	-	1,283,324
Differences between expected and actual experience	(5,151,351)	-	(5,151,351)
Changes in assumptions	(291,302)	-	(291,302)
Contributions - Employer	-	936,674	(936,674)
Net investment income	-	1,523	(1,523)
Benefit payments, including refunds	(861,674)	(861,674)	-
Miscellaneous other charges	-	(3,500)	3,500
Net changes	<u>(4,369,785)</u>	<u>73,023</u>	<u>(4,442,808)</u>
Balance at June 30, 2018	<u>\$ 31,783,860</u>	<u>\$ 2,812,124</u>	<u>\$ 28,971,736</u>

The plan's fiduciary net position represents 8.85 percent of the total OPEB liability.

June 30, 2018

Note 12 - Other Postemployment Benefit Plans (Continued)

Policemen and Firemen Retiree Healthcare System

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2017	\$ 58,164,367	\$ 1,733,405	\$ 56,430,962
Changes for the year:			
Service cost	1,409,376	-	1,409,376
Interest	2,061,757	-	2,061,757
Differences between expected and actual experience	(6,193,973)	-	(6,193,973)
Changes in assumptions	(495,961)	-	(495,961)
Contributions - Employer	-	2,389,916	(2,389,916)
Net investment income	-	6,409	(6,409)
Benefit payments, including refunds	(1,909,038)	(1,909,038)	-
Miscellaneous other charges	-	(3,500)	3,500
Net changes	(5,127,839)	483,787	(5,611,626)
Balance at June 30, 2018	\$ 53,036,528	\$ 2,217,192	\$ 50,819,336

The plan's fiduciary net position represents 4.18 percent of the total OPEB liability.

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$77,154 and \$2,250,433 from Municipal Employees' Retiree Healthcare System and Policemen and Firemen Retiree Healthcare System, respectively.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Municipal Employees' Retiree Healthcare System		Policemen and Firemen Retiree Healthcare System	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 3,465,148	\$ -	\$ 5,113,717
Changes in assumptions	-	195,949	-	409,463
Net difference between projected and actual earnings on OPEB plan investments	77,810	-	51,038	-
Total	\$ 77,810	\$ 3,661,097	\$ 51,038	\$ 5,523,180

Note 12 - Other Postemployment Benefit Plans (Continued)

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

Years Ending June 30	Municipal Employees' Retiree Healthcare System	Policemen and Firemen Retiree Healthcare System
2019	\$ (1,762,103)	\$ (1,153,994)
2020	(1,762,103)	(1,153,994)
2021	(78,533)	(1,153,994)
2022	19,452	(1,153,994)
2023	-	(856,166)
Total	<u>\$ (3,583,287)</u>	<u>\$ (5,472,142)</u>

Actuarial Assumptions

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

	Municipal Employees' Retiree Healthcare System	Policemen and Firemen Retiree Healthcare System
Inflation	2.75%	2.75%
Salary increases (including inflation)	3.50%	3.50%
Investment rate of return (net of investment expenses)	3.62%	3.62%
Healthcare cost trend rate	9.00 percent graded down to 3.5 percent after 10 years	9.00 percent graded down to 3.5 percent after 10 years
Mortality rates	RP-2014 Healthy Annuitant Generational Mortality Tables	RP-2014 Healthy Annuitant Generational Mortality Tables

Discount Rate

The discount rate used to measure the total OPEB liability was 3.62 percent for both Municipal Employees' Retiree Healthcare System and Policemen and Firemen Retiree Healthcare System. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contributions rates.

The discount rate is the same as the municipal bond rate which was 3.62 percent. The source of that bond rate was the tax-exempt municipal bond rate based on an index of 20-year general obligation with an average of AA credit rating. No projections of the ability of the fund to meet benefit obligations in the future were made since the discount rate is equivalent as the municipal bond rate. The discount rate of 3.62 percent was applied to all remaining periods.

Investment Rate of Return

The investment rate of return was assumed to be 3.62 percent, net of OPEB plan investment expense, including inflation.

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

June 30, 2018

Note 12 - Other Postemployment Benefit Plans (Continued)

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

The following presents the net OPEB liability of the City for each System, calculated using the discount rate of 3.62 percent, as well as what the City's net OPEB liability for each System would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (2.62%)	Current Discount Rate (3.62%)	1 Percent Increase (4.62%)
Net OPEB liability of the Municipal Employees' Retiree Healthcare System	\$ 34,410,449	\$ 28,971,736	\$ 24,658,090
Net OPEB liability of the Policemen and Firemen Retiree Healthcare System	60,115,348	50,819,336	43,500,351

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

The following presents the net OPEB liability of the City for each system, calculated using the healthcare cost trend rate of 9.00 percent, as well as what the City's net OPEB liability for each system would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (8.0%)	Current Healthcare Cost Trend Rate (9.0%)	1 Percent Increase (10.0%)
Net OPEB liability of the Municipal Employees' Retiree Healthcare System	\$ 24,262,650	\$ 28,971,736	\$ 34,961,211
Net OPEB liability of the Policemen and Firemen Retiree Healthcare System	42,572,695	50,819,336	61,514,324

OPEB Plan Fiduciary Net Position

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

Assumption Changes

Note that the discount rate and investment rate of return used to measure the net OPEB liability increased in the current year to 3.62 percent. The net OPEB liability measured at June 30, 2017 was calculated on a discount rate and investment rate of return of 3.56 percent. This increase is due to the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating increase between June 30, 2017 and June 30, 2018. As a result of the increase, the total OPEB liability increased by \$291,302 and \$495,961 for the Municipal Employees' Retiree Healthcare System and Policemen and Firemen Retiree Healthcare System, respectively.

Note 13 - Joint Ventures

Southgate-Wyandotte Drainage District

The City is a member of the Southgate-Wyandotte Drainage District, a joint venture with the City of Wyandotte, Michigan that provides drainage services to the residents of Southgate and Wyandotte. The venture is administered by the Wayne County Drainage Board. The City paid \$741,580 to Wayne County, Michigan (the "County") during the year for operation and maintenance.

Note 13 - Joint Ventures (Continued)

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

Downriver Sewage Disposal System

The City, along with 12 other communities, jointly participates in the Downriver Sewage Disposal System (the "System"). The City's share of capital assets, restricted assets (for debt service), and related debt is recorded in the Water and Sewer Fund as "investment in joint ventures" and was \$1,984,550 at June 30, 2018. During the year, the City paid \$1,539,712 for operations of the System and \$1,488,964 for debt service.

Subsequent Event

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

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

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

At the time of the system transfer on September 27, 2018, in addition to transferring the treatment plant, distribution system and other capital assets with a net book value of approximately \$190 million, the County also transferred approximately \$40 million of cash. In exchange for these assets, DUWA is obligated for the exchanged SRF debt in the principal amount of approximately \$62 million, the new 2018 Senior Lien debt issuance with a face amount of \$55 million, and the \$3.5 million remaining transfer obligation. All DUWA debt is revenue bond debt that will be paid by the communities through rates and charges. The City of Southgate, Michigan is evaluating the impact of the transfer on its water and sewer fund; any such impact will be reflected in its fiscal year 2019 financial statements.

Note 14 - Tax Abatements

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

For the fiscal year ended June 30, 2018, the City abated \$52,057 of taxes under these programs. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

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

Note 15 - Change in Accounting Principle

During the current year, the City adopted Governmental Accounting Standards Board (GASB) Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the government-wide statements and the proprietary funds now include a liability for the unfunded portion of the City's retiree healthcare costs. Some of the change in this net OPEB liability will be recognized immediately as past of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to the other postemployment benefit plan footnote for further details. This change does not impact the General Fund or any other governmental funds.

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

	Net Position		
	As Previously Reported	As Restated	Effect of Change
Governmental activities	\$ 19,698,149	\$ (44,483,113)	\$ (64,181,262)
Business-type activities	27,787,974	24,192,559	(3,595,415)
Water and Sewer Fund	27,458,229	23,862,814	(3,595,415)

The impact on the prior year changes in net position could not be determined.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 15,104,037	\$ 15,104,037	\$ 15,679,941	\$ 575,904
Reimbursements from other funds	1,290,379	1,290,379	1,225,765	(64,614)
Intergovernmental:				
Federal grants	60,195	60,195	33,279	(26,916)
State sources	3,203,301	3,203,301	3,700,941	497,640
Charges for services	680,000	680,000	617,346	(62,654)
Fines and forfeitures	1,392,000	1,392,000	1,299,924	(92,076)
Licenses and permits	533,800	533,800	658,645	124,845
Rental and interest income	709,109	709,109	785,869	76,760
Other revenue	110,000	110,000	120,608	10,608
Total revenue	23,082,821	23,082,821	24,122,318	1,039,497
Expenditures				
Current services:				
General government:				
City Council	38,733	38,733	38,108	625
Executive	225,926	225,926	234,465	(8,539)
Finance	409,119	409,119	412,020	(2,901)
Treasurer	214,274	214,274	210,470	3,804
Assessing	172,700	172,700	180,706	(8,006)
Clerk	153,005	153,005	150,980	2,025
Attorney	145,500	145,500	145,500	-
Elections	47,960	47,960	26,455	21,505
Civil Service Commission	3,600	3,600	1,604	1,996
Nondepartmental	3,730,970	3,730,970	3,560,597	170,373
28th District Court	1,059,184	1,059,184	1,098,138	(38,954)
Public safety:				
Police	7,251,121	7,251,121	7,169,519	81,602
Fire	4,198,979	4,198,979	4,357,638	(158,659)
Emergency preparedness	5,790	5,790	2,713	3,077
Police and Fire Civil Service Commission	17,200	17,200	11,810	5,390
Building inspections and related	341,880	341,880	381,722	(39,842)
Public works:				
Public services	1,838,772	1,838,772	1,939,222	(100,450)
Sanitation	1,455,631	1,455,631	1,468,546	(12,915)
Planning	11,000	11,000	13,899	(2,899)
City Garage	523,308	523,308	529,123	(5,815)
Recreation and culture:				
Recreation	576,841	576,841	650,620	(73,779)
Senior Citizen Center	79,055	79,055	61,470	17,585
Cultural Commission	1,300	1,300	1,968	(668)
Transfer to other funds	580,575	580,575	696,865	(116,290)
Total expenditures	23,082,423	23,082,423	23,344,158	(261,735)
Net Change in Fund Balance	398	398	778,160	777,762
Fund Balance - Beginning of year	2,659,072	2,659,072	2,659,072	-
Fund Balance - End of year	\$ 2,659,470	\$ 2,659,470	\$ 3,437,232	\$ 777,762

City of Southgate, Michigan

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Funds
 Southgate-Wyandotte Operation and Maintenance Fund

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Special assessments	\$ 1,241,000	\$ 1,241,000	\$ 1,204,976	\$ (36,024)
Interest income	-	-	43,157	43,157
Total revenue	1,241,000	1,241,000	1,248,133	7,133
Expenditures - Public works	2,965,392	2,965,392	1,050,185	1,915,207
Net Change in Fund Balance	(1,724,392)	(1,724,392)	197,948	1,922,340
Fund Balance - Beginning of year	5,649,502	5,649,502	5,649,502	-
Fund Balance - End of year	<u><u>\$ 3,925,110</u></u>	<u><u>\$ 3,925,110</u></u>	<u><u>\$ 5,847,450</u></u>	<u><u>\$ 1,922,340</u></u>

City of Southgate, Michigan

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

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ 153,751	\$ 153,751	\$ 404,751	\$ 251,000
Investment income	5	5	-	(5)
Total revenue	153,756	153,756	404,751	250,995
Expenditures - Public works	143,751	143,751	178,001	(34,250)
Other Financing Uses - Transfer Out	(10,000)	(10,000)	-	10,000
Net Change in Fund Balance	5	5	226,750	226,745
Fund Balance - Beginning of year	(228,265)	(228,265)	(228,265)	-
Fund Balance - End of year	<u>\$ (228,260)</u>	<u>\$ (228,260)</u>	<u>\$ (1,515)</u>	<u>\$ 226,745</u>

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

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

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

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

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

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

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

City of Southgate, Michigan

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

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

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

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

	Last Two Fiscal Years	
	2018	2017*
Total OPEB Liability		
Service cost	\$ 651,218	\$ 620,007
Interest	1,283,324	1,256,504
Differences between expected and actual experience	(5,151,351)	(215,429)
Changes in assumptions	(291,302)	-
Benefit payments, including refunds	(861,674)	(984,952)
Net Change in Total OPEB Liability	(4,369,785)	676,130
Total OPEB Liability - Beginning of year	36,153,645	35,477,515
Total OPEB Liability - End of year	\$ 31,783,860	\$ 36,153,645
Plan Fiduciary Net Position		
Contributions - Employer	\$ 936,674	\$ 1,059,952
Net investment income	1,523	14,189
Benefit payments, including refunds	(861,674)	(984,952)
Other	(3,500)	(7,375)
Net Change in Plan Fiduciary Net Position	73,023	81,814
Plan Fiduciary Net Position - Beginning of year	2,739,101	2,657,287
Plan Fiduciary Net Position - End of year	\$ 2,812,124	\$ 2,739,101
Net OPEB Liability - Ending	\$ 28,971,736	\$ 33,414,544
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	8.85 %	7.58 %
Covered Employee Payroll	\$ 2,380,737	\$ 2,387,488
Net OPEB Liability as a Percentage of Covered Employee Payroll	1,216.92 %	1,399.57 %

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

City of Southgate, Michigan

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

**Last Two Fiscal Years
Years Ended June 30**

	<u>2018</u>	<u>2017*</u>
Annual money-weighted rate of return - Net of investment expense	0.06 %	0.50 %

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

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

	Last Two Fiscal Years	
	2018	2017*
Total OPEB Liability		
Service cost	\$ 1,409,376	\$ 1,375,918
Interest	2,061,757	2,007,629
Differences between expected and actual experience	(6,193,973)	(31,408)
Changes in assumptions	(495,961)	-
Benefit payments, including refunds	(1,909,038)	(1,787,754)
Net Change in Total OPEB Liability	(5,127,839)	1,564,385
Total OPEB Liability - Beginning of year	58,164,367	56,599,982
Total OPEB Liability - End of year	\$ 53,036,528	\$ 58,164,367
Plan Fiduciary Net Position		
Contributions - Employer	\$ 2,389,916	\$ 2,045,006
Net investment income	6,409	3,313
Benefit payments, including refunds	(1,909,038)	(1,787,754)
Other	(3,500)	-
Net Change in Plan Fiduciary Net Position	483,787	260,565
Plan Fiduciary Net Position - Beginning of year	1,733,405	1,472,840
Plan Fiduciary Net Position - End of year	\$ 2,217,192	\$ 1,733,405
Net OPEB Liability - Ending	\$ 50,819,336	\$ 56,430,962
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	4.18 %	2.98 %
Covered Payroll	\$ 4,918,780	\$ 5,051,311
Net OPEB Liability as a Percentage of Covered Payroll	1,033.17 %	1,117.15 %

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

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

**Last Two Fiscal Years
Years Ended June 30**

	2018	2017*
Annual money-weighted rate of return - Net of investment expense	- %	- %

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

Budgetary Information

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

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

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

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

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

Budget appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2018 has not been calculated. During the current year, the budget was amended in a legally permissible manner. A comparison of the budget with statements of actual revenue and expenditures, including budget variances, for the General Fund is presented as required supplemental information.

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

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

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

General Fund	Total Revenue	Total Expenditures	Change in Fund Balance
Amounts per operating statement	\$ 22,896,553	\$ 21,733,586	\$ 857,392
Operating transfers budgeted as expenditures	-	305,575	-
Reimbursements from other funds	1,225,765	1,225,765	-
Severance Reserve Fund budgeted separately from the General Fund	-	79,232	(79,232)
Amounts per budget statement	<u>\$ 24,122,318</u>	<u>\$ 23,344,158</u>	<u>\$ 778,160</u>

June 30, 2018

Excess of Expenditures Over Appropriations in Budgeted Funds

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

	Budget	Actual	Variance
General Fund:			
Executive	\$ 225,926	\$ 234,465	\$ (8,539)
Finance	409,119	412,020	(2,901)
Assessing	172,700	180,706	(8,006)
28th District Court	1,059,184	1,098,138	(38,954)
Fire	4,198,979	4,357,638	(158,659)
Building inspections and related	341,880	381,722	(39,842)
Public services	1,838,772	1,939,222	(100,450)
Sanitation	1,455,631	1,468,546	(12,915)
Planning	11,000	13,899	(2,899)
City Garage	523,308	529,123	(5,815)
Recreation	576,841	650,620	(73,779)
Cultural Commission	1,300	1,968	(668)
Community Development Block Grant Fund - Public Works	143,751	178,001	(34,250)

These unfavorable variances in the General Fund and the 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 Fund	Local Street Fund	Street Paving Fund	Narcotics Enforcement	Library
Assets					
Cash and investments	\$ 2,677,511	\$ 2,809,609	\$ 353,565	\$ 328,688	\$ 584,756
Receivables - Net	310,420	119,465	-	-	-
Due from component units	-	-	-	-	-
Due from other funds	-	76,749	-	-	-
Advances to other funds	-	-	194,089	-	-
Prepays expenses	-	-	-	-	2,489
Total assets	\$ 2,987,931	\$ 3,005,823	\$ 547,654	\$ 328,688	\$ 587,245
Liabilities					
Accounts payable	\$ 15,439	\$ 1,136	\$ 84,514	\$ 18,287	\$ 16,967
Due to other funds	76,749	-	-	-	-
Accrued liabilities and other	-	-	22,500	-	8,877
Total liabilities	92,188	1,136	107,014	18,287	25,844
Fund Balances					
Nonspendable:					
Prepays	-	-	-	-	2,489
Long-term receivable	-	-	194,089	-	-
Restricted:					
Roads	2,895,743	3,004,687	246,551	-	-
Narcotics enforcement	-	-	-	310,401	-
Debt service	-	-	-	-	-
Library	-	-	-	-	558,912
District Court capital improvement	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Total fund balances	2,895,743	3,004,687	440,640	310,401	561,401
Total liabilities and fund balances	\$ 2,987,931	\$ 3,005,823	\$ 547,654	\$ 328,688	\$ 587,245

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2018

Debt Service Funds			Capital Project Funds		Total
SCI 541 Bond	Michigan Transportation Bond	Building Authority Fund	Capital Improvement Fund	District Court Capital Improvement	
\$ 4,963	\$ 108,556	\$ 145,249	\$ 968,686	\$ 31,711	\$ 8,013,294
-	-	-	-	9,234	439,119
-	-	-	45,056	-	45,056
-	-	-	-	-	76,749
-	-	-	-	-	194,089
-	-	-	-	-	2,489
\$ 4,963	\$ 108,556	\$ 145,249	\$ 1,013,742	\$ 40,945	\$ 8,770,796
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 136,343
-	-	-	-	-	76,749
-	-	-	-	-	31,377
-	-	-	-	-	244,469
-	-	-	-	-	2,489
-	-	-	-	-	194,089
-	-	-	-	-	6,146,981
-	-	-	-	-	310,401
4,963	108,556	145,249	-	-	258,768
-	-	-	-	-	558,912
-	-	-	-	40,945	40,945
-	-	-	787,670	-	787,670
-	-	-	226,072	-	226,072
4,963	108,556	145,249	1,013,742	40,945	8,526,327
\$ 4,963	\$ 108,556	\$ 145,249	\$ 1,013,742	\$ 40,945	\$ 8,770,796

City of Southgate, Michigan

	Special Revenue Funds				
	Major Street Fund	Local Street Fund	Street Paving Fund	Narcotics Enforcement	Library
Revenue					
Property taxes	\$ -	\$ -	\$ 1,226,334	\$ -	\$ 558,144
Intergovernmental:					
Federal grants	-	-	-	66,447	-
State sources	1,814,727	882,189	-	38,777	46,639
Charges for services	-	-	-	-	-
Rental and interest income	22,395	10,964	41,991	8,632	7,698
Other revenue	-	-	-	15	23,593
Total revenue	1,837,122	893,153	1,268,325	113,871	636,074
Expenditures					
Current services:					
General government	-	-	-	-	-
Public safety	-	-	-	67,103	-
Public works	547,886	675,624	1,371,944	-	-
Recreation and culture - Library	-	-	-	-	482,388
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	547,886	675,624	1,371,944	67,103	482,388
Excess of Revenue Over (Under) Expenditures	1,289,236	217,529	(103,619)	46,768	153,686
Other Financing Sources (Uses)					
Transfers in	-	489,515	-	-	-
Transfers out	(489,515)	-	-	-	(104,075)
Total other financing (uses) sources	(489,515)	489,515	-	-	(104,075)
Net Change in Fund Balances	799,721	707,044	(103,619)	46,768	49,611
Fund Balances - Beginning of year	2,096,022	2,297,643	544,259	263,633	511,790
Fund Balances - End of year	\$ 2,895,743	\$ 3,004,687	\$ 440,640	\$ 310,401	\$ 561,401

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

Year Ended June 30, 2018

Debt Service Funds			Capital Project Funds		Total
SCI 541 Bond	Michigan Transportation Bond	Building Authority Fund	Capital Improvement Fund	District Court Capital Improvement	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,784,478
-	-	-	-	-	66,447
-	-	-	-	-	2,782,332
-	-	-	-	109,067	109,067
-	-	-	16,097	-	107,777
-	-	661,285	34,218	-	719,111
-	-	661,285	50,315	109,067	5,569,212
-	-	500	-	-	500
-	-	-	-	-	67,103
-	-	-	-	-	2,595,454
-	-	-	-	-	482,388
-	-	-	27,832	206,350	234,182
-	-	895,000	-	73,230	968,230
-	-	177,000	-	3,185	180,185
-	-	1,072,500	27,832	282,765	4,528,042
-	-	(411,215)	22,483	(173,698)	1,041,170
-	-	409,650	-	-	899,165
-	-	-	-	-	(593,590)
-	-	409,650	-	-	305,575
-	-	(1,565)	22,483	(173,698)	1,346,745
4,963	108,556	146,814	991,259	214,643	7,179,582
\$ 4,963	\$ 108,556	\$ 145,249	\$ 1,013,742	\$ 40,945	\$ 8,526,327

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

June 30, 2018

	Policemen and Firemen Retirement System	Municipal Employees' Retiree Health Care	Act 345 Health Insurance	Total Pension and OPEB Funds
Assets				
Cash and cash equivalents	\$ 2,603,199	\$ 737,577	\$ 2,118,428	\$ 5,459,204
Investments:				
Certificate of deposits	-	2,074,547	-	2,074,547
U.S. government securities	3,113	-	-	3,113
Stocks and mutual funds	44,161,393	-	-	44,161,393
Mortgage-backed securities	41,533	-	-	41,533
Receivables - Accrued interest receivable	66,033	-	-	66,033
Prepays expenses	-	-	109,754	109,754
	46,875,271	2,812,124	2,228,182	51,915,577
Liabilities - Accounts payable	93,223	-	10,990	104,213
Total liabilities	93,223	-	10,990	104,213
Net Position	\$ 46,782,048	\$ 2,812,124	\$ 2,217,192	\$ 51,811,364

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

Year Ended June 30, 2018

	Policemen and Firemen Retirement System	Municipal Employees' Retiree Health Care	Act 345 Health Insurance	Total Pension and OPEB Funds
Additions				
Investment income:				
Interest and dividends	\$ 968,311	\$ 42,982	\$ 6,409	\$ 1,017,702
Net increase in fair value of investments	3,482,404	(41,459)	-	3,440,945
Investment-related expenses	(294,595)	-	-	(294,595)
Net investment income	4,156,120	1,523	6,409	4,164,052
Contributions:				
Employer	4,321,173	865,328	2,123,403	7,309,904
Employee	327,018	-	-	327,018
Total contributions	4,648,191	865,328	2,123,403	7,636,922
Total additions - Net	8,804,311	866,851	2,129,812	11,800,974
Deductions - Benefit payments	5,273,158	793,828	1,646,025	7,713,011
Net Increase in Net Position Held in Trust	3,531,153	73,023	483,787	4,087,963
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	43,250,895	2,739,101	1,733,405	47,723,401
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u>\$ 46,782,048</u>	<u>\$ 2,812,124</u>	<u>\$ 2,217,192</u>	<u>\$ 51,811,364</u>

City of Southgate, Michigan

Other Supplemental Information
Combining Statement of Fiduciary Net Position
Agency Funds

June 30, 2018

	Tax Collection	Senior Citizens' Trust	Escrow Fund	Total Agency Funds
Assets				
Cash and investments	\$ 119,146	\$ 62,046	\$ 746,095	\$ 927,287
Receivables	-	319	-	319
Total assets	<u>\$ 119,146</u>	<u>\$ 62,365</u>	<u>\$ 746,095</u>	<u>\$ 927,606</u>
Liabilities				
Due to other governmental units	\$ 119,146	-	-	\$ 119,146
Cash bonds and deposits	-	62,365	746,095	808,460
Total liabilities	<u>\$ 119,146</u>	<u>\$ 62,365</u>	<u>\$ 746,095</u>	<u>\$ 927,606</u>