

STATE OF MICHIGAN  
WAYNE COUNTY CIRCUIT COURT

JOHN O'DONNELL  
and COLLEEN O'DONNELL  
individually and as representatives of a class  
of similarly-situated persons and entities,

Case No. 22- -CZ

Plaintiffs,

v.

CITY OF SOUTHGATE, MICHIGAN,  
a municipal corporation,

Defendant.

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Gregory D. Hanley (P51204)  
Jamie Warrow (P61521)  
Edward F. Kickham Jr. (P70332)  
Kickham Hanley PLLC  
32121 Woodward Avenue, Suite 300  
Royal Oak, MI 48073  
(248) 544-1500  
ghanley@kickhamhanley.com  
jwarrow@kickhamhanley.com  
ekickhamjr@kickhamhanley.com  
Counsel for Plaintiffs and the Class

Shawn Head (P72599)  
Marco C. Masciulli (P77502)  
The Head Law Firm, PLC  
34705 W 12 Mile Rd Ste 160  
Farmington Hills, MI 48331  
(248) 939-5405  
Co-Counsel for Plaintiffs and the Class

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There is no other pending or resolved civil action between these parties arising out  
of the transaction or occurrence alleged in this Complaint.

**PLAINTIFFS' CLASS ACTION COMPLAINT  
TO ENFORCE THE HEADLEE AMENDMENT  
PURSUANT TO CONST 1963, ART 9, § 32**

**PURSUANT TO MCR 2.112(M), PLAINTIFFS STATE THAT THEY DO NOT  
BELIEVE THERE ARE ANY FACTUAL QUESTIONS THAT ARE ANTICIPATED TO  
REQUIRE RESOLUTION BY THE COURT**

Plaintiffs John O'Donnell and Colleen O'Donnell, by their attorneys, Kickham Hanley PLLC and The Head Law Firm, PLC, individually and on behalf of a class of similarly situated class members, state the following for their Class Action Complaint to Enforce the Headlee Amendment Pursuant to Const. 1963, Art 9, § 32 against the City of Southgate, Michigan (the "City"):

### **INTRODUCTION**

1. This is an action against the City challenging certain property taxes (the "Excess Taxes") imposed by the City that have not been authorized by the City's voters and therefore violate Art. 9, § 31 of the Michigan Constitution (the "Headlee Amendment"), which provides:

Units of Local Government are hereby prohibited from levying any tax not authorized by law or charter when this section is ratified or from increasing the rate of an existing tax above that rate authorized by law or charter when this section is ratified, without the approval of a majority of the qualified electors of that unit of Local Government voting thereon. ... [Const. 1963, art. 9, § 31]

2. The City imposes the Excess Taxes under the purported authority of the Michigan Fire Fighters and Police Officers Retirement Act, MCL 38.551 et seq. ("Act 345"). *See* Exhibit 1 hereto.

3. Act 345 authorizes a municipality to establish a police and fire employee pension plan and grants a municipality limited authority to impose new taxes to fund its obligations under the pension plan. Pursuant to Act 345, the City has established a police and fire pension plan (the "Police and Fire Pension Plan"). Under Act 345, a municipality may only impose taxes sufficient to fund the City's actual contributions to the Act 345 pension plan. *See* MCL 38.559.

4. The City imposes taxes—purportedly pursuant to its taxing authority under Act 345—that generate millions of dollars more than is needed to fund the City's actual annual contributions to the Act 345 pension plan. The extra dollars generated by the Excess Taxes are used to fund the City's financial obligations that are not obligations of the Police and Fire Pension Plan.

5. Act 345 is the only possible legal authorization for the Excess Taxes at issue. In other words, if the Excess Taxes are not authorized by Act 345, the City has no legal ability to impose the Taxes because it is otherwise at the limit of its charter taxing authority.

6. The City has been imposing the Excess Taxes without voter approval. At some point, the City's voters apparently approved the creation of the City's Police and Fire Pension Plan. But the voters never approved a tax which raises millions of dollars more in revenues than is needed to fund contributions to the Police and Fire Pension Plan.

7. The Excess Taxes are unlawful because they are not authorized by Act 345. While the tax the City imposes to cover its actual contributions to its Police and Fire Pension Plan is lawful because it complies with Act 345, the Excess Taxes are not within the City's taxing authority under Act 345. The Excess Tax is a new tax that was not authorized by law or charter at the time the Headlee Amendment was ratified in 1978, and therefore violates Section 31 of the Headlee Amendment because it was not approved by the City's voters.

8. Because the Excess Taxes have been imposed in violation of Headlee, the City must disgorge and refund the Excess Taxes it has collected in the year prior to the filing of this action and all additional Excess Taxes it collects during the pendency of this action, and the Court should enjoin the City from continuing to impose and collect the Excess Taxes in the future.

### **JURISDICTION AND VENUE**

9. Plaintiffs are property owners in the City who incur the Excess Taxes. Plaintiffs have paid the Excess Taxes at issue within one year of the filing of this lawsuit and seek to act as class representatives for all similarly-situated persons.

10. Defendant City of Southgate (the "City") is a municipality located in Wayne County, Michigan.

11. This is an action filed pursuant to MCR 2.112(M). This Court is vested with original jurisdiction concurrent with the Court of Appeals to hear original actions challenging the validity of a tax pursuant to Article 9, Section 32 of the Michigan Constitution of 1963. This authority is codified by MCL 600.308a.

### **GENERAL ALLEGATIONS**

12. Any Michigan municipality with a paid or part paid fire or police department can create a police and fire pension board in order to come under Act 345, provided it obtains voter approval to adopt the provisions of Act 345. In this regard, MCL 38.561 provides in pertinent part as follows:

At any time after this act shall become effective, any city, village or municipality having a paid or part paid fire or police department, may come under the provisions of this act and create a pension board hereunder by submitting the same to the electors of any such city, village or municipality at any regular or special election for adoption, in the manner provided by law for amending charters: Provided, that this act shall not become effective until the beginning of the next succeeding fiscal year after such adoption of the provisions of this act by any city, village or municipality. ...

13. Once approved by the municipality's voters, the Act allows a municipality to impose property taxes to finance its obligations under the Act. MCL 38.559(2) sets forth the conditions the municipality must comply with in order to impose such taxes:

**(2) For the purpose of creating and maintaining a fund for the payment of the pensions and other benefits payable as provided in this act, the municipality, subject to the provisions of this act, shall appropriate, at the end of such regular intervals as may be adopted, quarterly, semiannually, or annually, an amount sufficient to maintain actuarially determined reserves covering pensions payable or that might be payable on account of service performed and to be performed by active members, and pensions being paid to retired members and beneficiaries.** The appropriations to be made by the municipality in any fiscal year shall be sufficient to pay all pensions due and payable in that fiscal year to all retired members and beneficiaries. The amount of the appropriation in a fiscal year shall not be less than 10% of the aggregate pay received during that fiscal year by members of the retirement system unless, by actuarial determination, it is satisfactorily established that a lesser percentage is needed. All deductions and appropriations shall be payable to the treasurer of the municipality and he or she shall pay the deductions and appropriations into the retirement system. Except in municipalities that are subject to the 15 mill tax limitation as provided by section 6 of article IX of the state constitution of 1963, **the amount required by taxation to meet the appropriations to be made by municipalities under this act shall be in addition to any tax limitation**



**imposed upon tax rates in those municipalities by charter provisions or by state law subject to section 25 of article IX of the state constitution of 1963.** [Emphasis added.]

14. While MCL 38.559 authorizes additional property taxes, those taxes are subject to the following strict limitations:

- Any tax imposed must **not** exceed the amount necessary to “meet the appropriations” actually made by the municipality under the Act;
- The municipality’s “appropriations” must be **only** for “the payment of the pensions and other benefits payable as provided in this act;”
- The appropriations must be in an amount sufficient to maintain actuarially determined reserves covering pensions payable or that might be payable on account of service performed and to be performed by active members, and pensions being paid to retired members and beneficiaries; and
- The treasurer of the municipality must deposit the appropriations “into the retirement system.”

15. Given that Act 345 allows only taxes for “the payment of the pensions and other benefits payable as provided” in the Act, it is necessary to identify what those benefits are. On this point, Section 6 of the Act, MCL 38.556, sets forth with great specificity the benefits that a municipality must provide under the Act. That section provides in pertinent part as follows:

(1) Age and service retirement benefits payable under this act are as follows:

(a) A member who is 55 years of age or older and who has 25 or more years of service as a police officer or fire fighter in the employ of the municipality affected by this act may retire from service upon written application to the retirement board stating a date, not less than 30 days or more than 90 days after the execution and filing of the application, on which the member desires to be retired. The retirement board shall grant the benefits to which the member is entitled under this act, unless the member continues employment. If the member continues employment, the member's pension shall be deferred with service years of credit until actual retirement. Upon the approval of the legislative body or the electors of a municipality under this act, a member under 50 years of age who has 25 or more years of service, or without the necessity for approval, a member 50 years of age or more who has 25 or more years of service, may leave service and receive the full retirement benefits payable throughout the member's life as provided in subdivision (e).

(b) A member who is 60 years of age or older shall be retired by the retirement board upon the written application of the legislative body, or board or official provided in the charter of the municipality as head of the department in which the member is employed. Upon retirement, the retirement board shall grant the benefits to which the

member is entitled under this act, unless the member continues employment. If the member continues employment, the member's pension shall be deferred with service years of credit until actual retirement.

(c) A member who is 65 years of age shall be retired by the retirement board on the first day of the month following attainment of 65 years of age.

(d) A member who has 10 or more years of service shall have vested retirement benefits that are not subject to forfeiture on account of disciplinary action, charges, or complaints. If the member leaves employment before the date the member would have first become eligible to retire as provided in subdivision (a) for any reason except the member's retirement or death, the member is entitled to a pension that shall begin the first day of the calendar month immediately after the month in which the member's written application for the pension is filed with the retirement board that is on or after the date the member would have been eligible to retire had the member continued in employment. The retirement board shall grant the member the benefits to which the member is entitled under this act, unless the member resumes service. If the member resumes service, the member's pension shall be further deferred with service years of credit until the member actually retires.

(e) **Upon retirement from service as provided in this subsection, a member shall receive a regular retirement pension payable throughout the member's life of 2% of the member's average final compensation multiplied by the first 25 years of service credited to the member, plus 1% of the member's average final compensation multiplied by the number of years, and fraction of a year, of service rendered by the member in excess of 25 years.** A municipality under this act, upon approval of the legislative body or the electors of the municipality, may increase the percentage of the payment from 2% up to a maximum of 2.5%. If an increase is approved, the increase shall not be reduced for members under the system at the time of the increase. The legislative body may also increase the percentage of employee contributions. If a retired member dies before the total of regular pension payments received by the member equals the total of the member's contributions made to the retirement system, the difference between the member's total contributions and the total of the member's regular retirement pension payments received shall be paid in a single sum to the person or persons the member nominates by written designation duly executed and filed with the retirement board. If there is not a person or persons surviving the retired member, the difference, if any, shall be paid to the retired member's legal representative or estate.

(f) As used in this section, "average final compensation" means the average of the highest annual compensation received by a member during a period of 5 consecutive years of service contained within the member's 10 years of service immediately preceding the member's retirement or leaving service. However, if so provided in a collective bargaining agreement entered into between a municipality under this act and the appropriate recognized bargaining agent, average final compensation may mean the average of the 3 years of highest annual compensation received by a member during the member's 10 years of service immediately preceding the member's retirement or leaving service. If the member has less than 5 years of service, average final compensation means the annual average compensation received by the member during his or her total years of service. ... [emphasis added].

16. In addition to pension payments, Act 345 also authorizes certain death and disability payments to plan participants. *See, e.g.*, MCL 38.556(2). These death and disability payments are the only “other benefits payable as provided” in this Act. MCL 38.559(2). Thus, a municipality’s “appropriations” under Act 345 – *i.e.*, the amounts that can be paid through the taxes authorized by Act 345 – are limited to the amounts necessary to fund pension, death and disability payments provided by the Act 345 pension plan.

17. The City employs actuaries to determine the annual “appropriations” it must make to the Police and Fire Pension Plan. The City’s consistent policy and practice since at least 2012 has been to make annual contributions to the Police and Fire Pension Plan which meet or exceed the amounts determined by the actuaries. *See* Exhibit 2 hereto at p. 75.

18. In the fiscal year ending June 30, 2021, the City made contributions to the Police and Fire Pension Plan in the amount of \$4,639,422. *See* Exhibit 2 hereto at pp. 52, 73, 75. The City’s adopted budget for the fiscal year ending June 30, 2022 provided for \$5,300,027 in contributions to the Plan. *See* Exhibit 3 hereto at pp. 34-35 (\$3,172,678 for police and \$2,127,349 for fire). These amounts represent the amounts necessary to “meet the appropriations” the City has made under Act 345, and therefore are the maximum amounts that the City may fund through taxes imposed pursuant to its Act 345 taxing authority.

19. In the fiscal year ending June 30, 2021, however, the City, purportedly relying upon its Act 345 taxing authority, imposed 10.031 mills in property taxes in the total amount of \$7,257,000 which taxes generated \$2,617,578 in revenues beyond the limits provided by Act 345. *See* Exhibit 2 hereto at p. 34. The revenues of the total tax levy that exceed the Act 345 limits constitute Excess Taxes.

20. In the fiscal year ending June 30, 2022, the City, purportedly relying upon its Act 345 taxing authority, imposed 10.336 mills in property taxes in the total amount of \$7,366,431 which taxes

generated \$2,066,404 in revenues beyond the limits provided by Act 345. *See* Exhibit 3 hereto at p. 13 and Exhibit 4 hereto (2021 Tax Rate Request). The revenues of the total tax levy that exceed the Act 345 limits constitute Excess Taxes.

21. The revenues generated by the Excess Taxes are not used to “meet the appropriations” required by Act 345 and therefore the Excess Taxes are not authorized by Act 345. Moreover, because the Excess Tax revenues were used by the City for expenses unrelated to the Police and Fire Pension Fund, the Excess Tax revenues did not become assets of the Police and Fire Pension Plan, as required by Act 345. *See* MCL 38.559 (requiring that “[a]ll deductions and appropriations shall be payable to the treasurer of the municipality and he or she shall pay the deductions and appropriations **into the retirement system**”) (emphasis added).

22. The Excess Taxes are not authorized by the City’s charter or by any other Michigan statute or law. As of July 1, 2021, the City was levying the maximum allowable millage levy for general operating purposes and for Act 345 purposes. *See* Exhibit 4 hereto (City’s 2021 Tax Rate Request showing levy of “maximum allowable millage levy” of 10.1022 mills for “general operating purposes”). Therefore, the City cannot rely upon any other taxing authority to justify the Excess Taxes.

23. The Excess Taxes were not “authorized by law or charter” at the time the Headlee Amendment was ratified in December 1978, and they were not authorized by a majority vote of the City’s citizens. *See* Exhibit 4 hereto (identifying the “date of election” for the Act 345 taxes as “N/A”). Therefore, the Excess Taxes have been imposed in violation of Article 29, Section 31 of the Michigan Constitution.

24. “The Headlee Amendment added Sections 25 through 34 to Article 9 of the Michigan Constitution.” *Michigan Ass’n of Home Builders v. Troy*, 504 Mich. 204, 208 n. 3, 934 N.W.2d 713 (2019). Section 25 of the Amendment dictates that “[p]roperty taxes and other local taxes and state taxation and spending may not be increased above the limitations specified herein without direct voter

approval.” Mich. Const. Art. 9, Sec. 25. In *Waterford School Dist. v. State Bd. of Ed.*, 98 Mich. App. 658, 663, 296 NW2d 328 (1980), the Court observed that: “[t]he Headlee Amendment grew out of the spirit of “tax revolt” and was designed to place specific limitations on state and local revenues. The ultimate purpose was to place public spending under direct popular control.”

25. This case specifically concerns Art. 9, § 31 of the Michigan Constitution, which provides in pertinent part as follows:

Units of Local Government are hereby prohibited from levying any tax not authorized by law or charter when this section is ratified or from increasing the rate of an existing tax above that rate authorized by law or charter when this section is ratified, without the approval of a majority of the qualified electors of that unit of Local Government voting thereon. [Const. 1963, art. 9, § 31]

26. “Section 31 prohibits units of local government from levying any new tax or increasing any existing tax above authorized rates without the approval of the unit’s electorate.” *Durant v Michigan*, 456 Mich 175, 183; 566 NW2d 272 (1997). Thus, a tax that was not authorized by law or charter in December 1978 and is imposed without voter approval “unquestionably violates” § 31. *Bolt v. City of Lansing*, 459 Mich. 152, 158 (1998).

27. The Headlee Amendment excludes from the voter approval requirement any tax “authorized by law or charter” at the time Headlee was ratified in December 1978. Therefore, any tax **authorized** by Act 345 is not subject to voter approval because the Act 345 taxing authority existed before December 1978.

28. The Supreme Court has held that “[t]he plain language of art 9, Sec. 31, excludes from its scope the levying of a tax, or an increased rate of an existing tax, that was authorized by law when that section was ratified.” *American Axle & Mfg., Inc. v. Hamtramck*, 461 Mich. 352, 362, 604 N.W.2d 330 (2000). In *American Axle*, 461 Mich. at 357, the Supreme Court approved a line of Section 31 cases from this Court standing for the proposition “that the Headlee exemption of taxes authorized by law when the section was ratified permits the levying of previously authorized taxes even where they were

not being levied at the time Headlee was ratified and even though the circumstances making the tax or rate applicable did not exist before that date.”

29. The Court of Appeals has observed that Act 345 “authorizes a municipality to collect property taxes ... for the purpose of **supporting a firefighters and police officers pension system.**” *Kinder Morgan Mich., LLC v. City of Jackson*, 277 Mich. App. 159, 161, 744 N.W.2d 184 (2007) (emphasis added). Therefore, the taxes the City imposes and collects **to cover its actual annual contribution to the Police and Fire Pension Plan** are lawful because they were “authorized by law” at the time the Headlee Amendment was ratified in December 1978.

30. The last amendment to Act 345 prior to the 1978 ratification of Headlee occurred in 1951. *See* Exhibit 5 hereto. At that time, the MCL 38.559 contained the following tax authorization:

(2) **For the purpose of creating and maintaining a fund for the payment of the pensions and other benefits payable hereunder, the said city, village or municipality, subject to the provisions of this act, shall appropriate, at the end of such regular intervals as may be adopted, quarterly, semiannually, or annually, an amount sufficient to maintain actuarially determined reserves covering pensions payable or which might be payable on account of service performed and to be performed by active members and pensions being paid to retired members and beneficiaries.** Provided, That the appropriations to be made by the said city, village or municipality in any fiscal year shall be sufficient to pay all pensions due and payable in that fiscal year to all retired members and beneficiaries. Provided further, That in no event shall the amount of such appropriation in a fiscal year be less than 10 per cent of the aggregate pays received during that fiscal year by members of the retirement system unless by actuarial determination it is satisfactorily established that a lesser percentage is needed. All such deductions and appropriations shall be payable to the treasurer of said city, village or municipality and by him to be paid into the retirement system hereunder. Except in cities that are subject to the 15 mill tax limitation as provided by article 10, section 21 of the state constitution, **the amount required by taxation to meet the appropriations to be made by cities, villages and municipalities under this act shall be in addition to any tax limitation imposed upon tax rates in such cities, villages and municipalities by charter provisions or by state law.** [Emphasis added.]

31. In *American Axle*, the concurring judge expressly recognized that the taxes authorized by Act 345 were the type of taxes that were exempt from Headlee because such taxes were “authorized by law or charter” in 1978. *See American Axle*, 461 Mich. at 372-373 (Corrigan, J, concurring)

(“Legislature has also authorized a tax to fund pensions for police and firefighters, MCL 38.559(2); MSA 5.3375(9)(2), and provided that, except in municipalities subject to the fifteen-mill limitation under the constitution, the amount required by taxation to meet appropriations ‘shall be in addition to any tax limitation imposed upon tax rates in those municipalities by charter provisions or by state law,’ subject to Const. 1963, art 9, Sec. 25.”)

32. For the reasons discussed below, however, this authorization does not save the Excess Taxes, which constitute new taxes outside of the scope of the Act 345 taxing authority and which were not approved by the City’s voters.

33. The City’s use of its Act 345 taxing authority to finance obligations unrelated to its obligations under the Police and Fire Pension Plan constitutes a clear violation of Headlee. The checks provided by Headlee are particularly warranted here, where Act 345 allows a municipality to impose unlimited taxes, so long as those taxes are used to meet the municipality’s actual annual “appropriations” to its Act 345 pension fund. The courts must be vigilante that this broad power is not used in an attempt to solve other municipal financing difficulties by establishing millage rates that allow a municipality to not only cover its actual “appropriations” to its Act 345 pension fund but also cover unrelated expenses. That is precisely what the City is doing here.

34. Here are the reasons the Excess Taxes are **not** authorized by Act 345:

35. First and foremost, the only tax authorized by Act 345 is a tax that generates the “amount required ... to meet **appropriations**” under the Act. MCL 38.559(2) (emphasis added).

36. Second, the municipality’s “appropriations” to the Act 345 pension plan must be **only** for “the payment of the pensions and other benefits payable as provided in this act.” MCL 38.559(2).

37. Third, Act 345 requires a board of an Act 345 pension plan to “[c]ertify to the governing body of the city, village, or municipality the amount to be contributed by the city, village,

or municipality as provided in this act” (MCL 38.552(4)) and to “[d]isburse the pensions and other benefits payable under this act.” MCL 38.552(8).

38. Fourth, Act 345 specifically sets forth the methodology a retirement board must apply in order to determine the necessary “appropriations.” Indeed, the Supreme Court has held that the “Legislature has established a standard for arriving at an appropriate sum to be paid to the retirement board” to fund a municipality’s obligations under Act 345. *Shelby Township Police & Fire Retirement Bd. v. Shelby Township*, 438 Mich. 247, 256, 475 N.W.2d 249 (1991).

39. In *Shelby Township*, the Court held:

...the provisions [of Act 345] mandate that the board hire an actuary and then certify to the municipality an amount that covers current service costs as well as unfunded accrued liabilities. The express provisions of MCL 38.552(2), (4); MSA 5.3375(2)(2), (4), read in conjunction with MCL 38.559(2); MSA 5.3375(9)(2), clearly establish the authority and describe the methodology necessary for the board to make an actuarial determination of the funds needed to maintain the retirement system. [438 Mich. at 257-258.]

40. The *Shelby Township* Court ultimately summarized the obligations of an Act 345 pension board to satisfy its funding obligations as follows:

We conclude that MCL 38.559(2); MSA 5.3375(9)(2) mandates the township to annually contribute to the retirement system **an actuarially determined amount**, which will ensure that funds are available to cover pensions earned by active members for services to be performed (in the current year) earned by active members for services already performed, and actual pensions to be paid to retirees. [438 Mich. at p. 264 (emphasis added)].

41. Fifth, consistent with MCL 38.552 and MCL 38.559, the board of the Police and Fire Pension Plan has retained actuaries who determine the annual amounts the City must contribute to the Pension Plan in order to meet its obligations under Act 345. In its most recent financial statements, the City stated:

Article 9, Section 24 of the State of Michigan Constitution requires that financial benefits arising out of employee service rendered in each year to 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. [Exhibit 2 at p. 51].

42. The retained actuaries “crunch the numbers” and calculate the amounts the City is required to contribute to “finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.” The actuarial calculation of this amount for the fiscal year ending June 30, 2022 is set forth at p. A-2 of Exhibit 6 hereto.

43. Sixth, the City historically contributes to the Police and Fire Pension Plan at least the **amount** of the appropriations its actuaries determine are required under Act 345. *See* Exhibit 2 hereto at p. 75.

44. Seventh, the City did not impose taxes solely to “meet the appropriations” it actually made to the Police and Fire Pension Plan. Instead, the City, relying solely upon its Act 345 taxing authority, imposed taxes which generated millions of dollars more than the amounts required to meet those “appropriations.”

45. In the fiscal year ending June 30, 2021, the City made contributions to the Police and Fire Pension Plan in the amount of \$4,639,422. *See* Exhibit 2 hereto at pp. 52, 73, 75. The City’s adopted budget for the fiscal year ending June 30, 2022 provided for \$5,300,027 in contributions to the Plan. *See* Exhibit 3 hereto at pp. 34-35 (\$3,172,678 for police and \$2,127,349 for fire). These amounts represent the amounts necessary to “meet the appropriations” the City has made under Act 345, and therefore are the maximum amounts that the City may fund through taxes imposed pursuant to its Act 345 taxing authority.

46. In the fiscal year ending June 30, 2021, however, the City, purportedly relying upon its Act 345 taxing authority, imposed 10.031 mills in property taxes in the total amount of \$7,257,000 which taxes generated \$2,617,578 in revenues beyond the limits provided by Act 345. *See* Exhibit 2

hereto at p. 34. The revenues of the total tax levy that exceed the Act 345 limits constitute Excess Taxes.

47. In the fiscal year ending June 30, 2022, the City, purportedly relying upon its Act 345 taxing authority, imposed 10.336 mills in property taxes in the total amount of \$7,366,431 which taxes generated \$2,066,404 in revenues beyond the limits provided by Act 345. *See* Exhibit 3 hereto at p. 13 and Exhibit 4 hereto (2021 Tax Rate Request). The revenues of the total tax levy that exceed the Act 345 limits constitute Excess Taxes.

48. The revenues generated by the Excess Taxes are not used to “meet the appropriations” required by Act 345 and therefore the Excess Taxes are not authorized by Act 345. Moreover, because the Excess Tax revenues were used by the City for expenses unrelated to the Police and Fire Pension Plan, the Excess Tax revenues did not become assets of the Police and Fire Pension Plan, as required by Act 345. *See* MCL 38.559 (requiring that “[a]ll deductions and appropriations shall be payable to the treasurer of the municipality and he or she shall pay the deductions and appropriations **into the retirement system**”) (emphasis added).

49. While it does not matter what activities and expenses of the City are funded by the Excess Taxes, it appears that the City has used the bulk of the Excess Taxes to fund its obligation to provide something called Other Post-Employment Benefits (“OPEB”) – basically, health insurance – to retired police and fire employees. Exhibit 2 hereto at p. 58 (“For the fiscal year ended June 30, 2021, the City contributed \$1,804,272 to the Police and Firemen Retiree Healthcare System”); Exhibit 3 hereto at p. 32 (confirming that City planned to expend \$1,955,811 for “Hospitalization P&F” in FY 2022. Even if this is the case, the Excess Taxes are still illegal.

50. First, Act 345 does not authorize an Act 345 pension plan to provide OPEB to members of the plan. *See* MCL 38.556. The “pensions and other benefits payable as provided in this act” consist solely of pensions, disability and death benefit payments. Thus, a municipality’s

“appropriations” under Act 345—*i.e.*, the amounts that can be paid through the taxes authorized by Act 345—necessarily do not include amounts to fund OPEB.

51. Second, the City’s actual Act 345 pension plan, the Police and Fire Pension Plan, does not **in fact** provide OPEB and therefore none of the City’s “contributions” to that Plan actually fund—or could even potentially fund—OPEB. The City’s financial statements note that the Plan provides only “retirement, disability and death benefits.” *See* Exhibit 2 hereto at p. 50.

52. The financial statements for the Police and Fire Pension Plan for the fiscal year ending June 30, 2021 identify the following benefits provided by the Fund:

- “Service Retirement” – *i.e.*, payments based upon age at retirement and length of service.
- “Duty Disability Retirement”
- “Non-Duty Disability Retirement”
- “Deferred Retirement”
- “Duty Death in Service Survivor’s Pension”
- “Non-Duty Death in Service Survivor’s Pension”
- “Death After Retirement Survivor’s Pension” [*Id.* at p. 50]

53. All of the benefits provided by the Fund are **payments** of either retirement pension, disability or death benefits. None of the benefits are OPEB – *i.e.*, health insurance benefits.

54. On the other hand, OPEB benefits for police and fire retirees are provided by a completely separate fund of the City administered by the City itself:

The City provides postemployment benefits other than pension (OPEB) for all employees who meet eligibility requirements. The benefits are provided through the Municipal Employees Retiree Healthcare System, a single-employer plan administered by the Municipal Employees’ Retiree Healthcare System Board, and the Policemen and Firemen Retiree Healthcare System, a single-employer plan administered by the Policemen and Firemen Retiree Healthcare System Board. ... The Municipal Employees’ Retirement Healthcare System and the Policemen and Firemen Retiree Healthcare System provide health care, dental and vision benefits for retirees and their spouses who are 60 years of age with 10 years of service or are 50 years of age with 25 years of service. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the plan. [Exhibit 2 hereto at p 58.]

55. The City admits that its OPEB Plan is separate from the Police and Fire Pension Plan. *See, e.g.*, Exhibit 2 hereto at pp. 28. See also Summary Annual Report of the City of Southgate Policemen and Firemen Retirement System, Exhibit 7 hereto, at p. 1 (“The City also supports a Retiree Health Insurance Program, **which is separate from the Retirement System**”) (emphasis added).

56. The OPEB benefits provided by the City clearly **cannot** be the type of benefits that fall within Act 345. The OPEB benefits simply are not obligations of the Police and Fire Pension Plan, which are the only obligations that can be financed through “appropriations” under Act 345. Moreover, the OPEB benefits are not even paid to Pension Plan participants: they are paid by the City to third-parties.

57. Moreover, the OPEB Benefits provided by the separate OPEB Plan cannot be deemed benefits provided by the Police and Fire Pension Plan because Act 345 mandates that all benefits provided by an Act 345 pension plan must be paid out of the Plan itself. In this regard, MCL 38.559(5) provides:

(5) All pensions allowed and payable to retired members and beneficiaries under this act **shall become obligations of and be payable from the funds of the retirement system.** [Emphasis added.]

58. Finally, separate and apart from the clear and unambiguous language of Act 345, OPEB benefits are not pension benefits as a matter of law. *See, e.g., Studier v. Michigan Public Schools Employees Retirement Bd.*, 472 Mich. 642, 698 N.W.2d 350 (2005) (distinguishing health care benefits from traditional pension benefits on the grounds that, among other things, health care benefits did not constitute “payments for past services” and, unlike pension payments, did not “increase or grow over time” based upon “the number of years of service”). *See also* Protecting Local Government Retirement and Benefits Act, MCL 38.2803(n) and (o) (distinguishing “Retirement Health Benefit” from “Retirement Pension Benefit”).

59. Because the Excess Taxes are not authorized by Act 345, they are unlawful because there is no other taxing authority the City can rely upon to justify the Excess Taxes.

60. As an initial matter, the City's charter taxing authority is prescribed by the Home Rule City Act, MCL 117.1 et seq. MCL 117.3(g) requires that a city charter provide:

For annually laying and collecting taxes in a sum, except as otherwise provided by law, not to exceed 2% of the assessed value of the real and personal property in the city. Unless the charter provides for a different tax rate limitation, the governing body of a city may levy and collect taxes for municipal purposes in a sum not to exceed 1% of the assessed value of the real and personal property in the city, subject to section 1a of chapter 7 of the [Municipal Finance Act, MCL 137.1a; MSA 5.3188(45a)].

61. MCL 117.5(a) provides that a city does not have the power:

To increase the rate of taxation now fixed by law, unless the authority to do so is given by a majority of the electors of the city voting at the election at which the proposition is submitted, but the increase in any case shall not be such as to cause the rate to exceed 2%, except as provided by law, of the assessed value of the real and personal property in the city.

62. The City's Charter here provides the following limitations on the City's powers of taxation:

Article 7, Section 120. The City shall have the power to assess taxes and to lay and collect rents, tolls and excises. The annual general ad valorem tax levy for Municipal purposes shall not exceed 12.5 mills of the assessed value of all real and personal property in the City.... [Exhibit 8 hereto].

63. Application of the Charter provision here confirms that the City has no ability to impose the Excess Taxes in the absence of authority under Act 345 (which the City does not have). The City's voters have not authorized any increase in the 12.5-mill charter limitation. *See* Exhibit 4 hereto.

64. Moreover, because of annual “Headlee rollbacks,” the City’s charter tax limitation is now just 10.1022 mills.<sup>1</sup> The City is levying 10.1022 mills – the maximum allowable millage levy. *See Id.* and Exhibit 3 hereto at p. 12. Therefore, the City cannot squeeze the Excess Taxes into the City’s charter limitation for general operating purposes.

65. Notably, the City is among only a handful of municipalities with Act 345 pension plans that are abusing their taxing authority under Act 345. Many other municipalities with Act 345 pension plans comply with the dictates of the Act and impose only taxes that are sufficient to fund their annual contributions to their respective Act 345 pension plans. Included among the compliant municipalities are the cities of Sterling Heights, Oak Park, Trenton, Midland, Jackson and Traverse City.

### **CLASS ALLEGATIONS**

66. Plaintiffs bring this action as a class action, pursuant to MCR 3.501, individually and on behalf of a proposed class consisting of all persons or entities who/which have incurred and/or paid the Excess Taxes during the relevant class period.

67. The members of the Class are so numerous that joinder of all members is impracticable.

68. Plaintiffs’ claims are typical of the claims of members of the Class. Plaintiffs are members of the Class they seek to represent, and Plaintiffs were injured by the same wrongful conduct that injured the other members of the Class.

69. The City has acted wrongfully in the same basic manner as to the entire class.

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<sup>1</sup> The term “Headlee Rollback” became part of municipal finance lexicon in 1978 with the passage of the Headlee Amendment. In a nutshell, Headlee requires a local unit of government to reduce its millage when annual growth on existing property is greater than the rate of inflation. As a consequence, the local unit’s millage rate gets “rolled back” so that the resulting growth in property tax revenue, community-wide, is no more than the rate of inflation.

70. There are questions of law and fact common to all Class Members that predominate over any questions, which, if they exist, affect only individual Class Members, including:

- a. Whether the Excess Taxes are authorized by Act 345;
- b. Whether the Excess Taxes were “authorized by law or charter” at the time the Headlee Amendment was ratified in 1978;
- c. Whether the taxes authorized by Act 345 are limited to taxes necessary to cover the City’s actual contributions to the Police and Fire Pension Plan; and
- d. Whether the City should be forced to disgorge the improperly collected Excess Taxes.

71. Plaintiffs will fairly and adequately protect the interests of the Class, and Plaintiffs have no interests antagonistic to those of the Class. Plaintiffs are committed to the vigorous prosecution of this action and has retained competent and experienced counsel to prosecute this action.

72. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. The prosecution of separate actions would create a risk of inconsistent or varying adjudications. Furthermore, the prosecution of separate actions would substantially impair and impede the ability of individual class members to protect their interests. In addition, since individual refunds may be relatively small for most members of the class, the burden and expense of prosecuting litigation of this nature makes it unlikely that members of the class would prosecute individual actions. At the same time, it is probable that the amount which may be recovered by individual class members will be large enough in relation to the expense and effort of administering the action to justify a class action. Plaintiffs anticipate no difficulty in the management of this action as a class action.

## **COUNT I**

### **VIOLATION OF THE HEADLEE AMENDMENT**

73. Plaintiffs incorporate Paragraphs 1 through 72 of this Complaint, inclusive, as if fully set forth herein.

74. The City is bound by the Michigan Constitution of 1963, including those portions commonly known as the Headlee Amendment.

75. In particular, the City may not impose a tax in violation of Article 9, § 31 of the Michigan Constitution of 1963.

76. The Excess Taxes are unlawful taxes because they were not authorized by law or charter at the time the Headlee Amendment was ratified in 1978 and they were not approved by a majority of the City's voters.

77. The City has violated the Headlee Amendment by imposing and collecting the Excess Taxes.

78. As a direct and proximate result of the City's improper conduct, the City has collected millions of dollars to which it is not entitled.

79. As a direct and proximate result of the City's assessment of the Excess Taxes, Plaintiffs and the Class have been harmed.

80. The City should be required to disgorge the Excess Taxes it has collected and refund these amounts to Plaintiffs and the Class.

#### **PRAYER FOR RELIEF**

Plaintiffs request that the Court grant the following relief:

A. Certify this action to be a proper class action with Plaintiffs certified as Class Representatives and Kickham Hanley PLLC and The Head Law Firm, PLC designated as Class Counsel;

B. Define the Class to include all persons or entities who/which have paid Excess Taxes to the City or incurred Excess Taxes to the City at any time in the one year preceding the filing of this lawsuit and/or who/which pay Excess Taxes to the City or incur the Excess Taxes during the pendency of this action (the "Class Period");



- C. Enter judgment in favor of Plaintiffs and the Class and against the City;
- D. Order and direct the City to disgorge and refund all Excess Taxes collected during the Class Period and to pay into a common fund for the benefit of Plaintiffs and all other members of the Class the total amount of Excess Taxes to which Plaintiffs and the Class are entitled;
- E. Find and declare that the Excess Taxes are unlawful taxes imposed in violation of the Headlee Amendment;
- F. Permanently enjoin the City from imposing or collecting any Excess Taxes, unless those Taxes receive voter approval in conformance with the Headlee Amendment to the Michigan Constitution;
- G. Award Plaintiffs and the Class the costs and expenses incurred in this action, including reasonable attorneys', accountants', and experts' fees; and
- H. Grant any other appropriate relief.

KICKHAM HANLEY PLLC

/s/ Gregory D. Hanley

Gregory D. Hanley (P51204)  
Jamie Warrow (P61521)  
Edward F. Kickham Jr. (P70332)  
32121 Woodward Avenue, Suite 300  
Royal Oak, Michigan 48073  
(248) 544-1500  
Attorneys for Plaintiffs and the Class

/s/ Shawn Head

Shawn Head (P72599)  
Marco C. Masciulli (P77502)  
The Head Law Firm, PLC  
34705 W 12 Mile Rd Ste 160  
Farmington Hills, MI 48331  
(248) 939-5405  
Co-Counsel for Plaintiffs and the Class

Date: June 30, 2022

STATE OF MICHIGAN  
WAYNE COUNTY CIRCUIT COURT

JOHN O'DONNELL  
and COLLEEN O'DONNELL  
individually and as representatives of a class  
of similarly-situated persons and entities,

Case No. 22- -CZ

Plaintiffs,

v.

CITY OF SOUTHGATE, MICHIGAN,  
a municipal corporation,

Defendant.

---

Gregory D. Hanley (P51204)  
Jamie Warrow (P61521)  
Edward F. Kickham Jr. (P70332)  
Kickham Hanley PLLC  
32121 Woodward Avenue, Suite 300  
Royal Oak, MI 48073  
(248) 544-1500  
ghanley@kickhamhanley.com  
jwarrow@kickhamhanley.com  
ekickhamjr@kickhamhanley.com  
Counsel for Plaintiffs and the Class

Shawn Head (P72599)  
Marco C. Masciulli (P77502)  
The Head Law Firm, PLC  
34705 W 12 Mile Rd Ste 160  
Farmington Hills, MI 48331  
(248) 939-5405  
Co-Counsel for Plaintiffs and the Class

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**There is no other pending or resolved civil action between these parties arising out  
of the transaction or occurrence alleged in this Complaint.**

**PLAINTIFFS' CLASS ACTION COMPLAINT  
TO ENFORCE THE HEADLEE AMENDMENT  
PURSUANT TO CONST 1963, ART 9, § 32**

**EXHIBITS 1 - 4**

# EXHIBIT - 1

**FIRE FIGHTERS AND POLICE OFFICERS RETIREMENT ACT**  
**Act 345 of 1937**

AN ACT to provide for the establishment, maintenance, and administration of a system of pensions and retirements for the benefit of the personnel of fire and police departments employed by cities, villages, or municipalities having full paid members in the departments, and for the spouses and children of the members; to provide for the creation of a board of trustees to manage and operate the system; to authorize appropriations and deductions from salaries; to prescribe penalties and provide remedies; and to repeal all acts and parts of acts inconsistent therewith.

**History:** 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951;—Am. 1989, Act 7, Imd. Eff. May 3, 1989;—Am. 1998, Act 200, Eff. Mar. 23, 1999.

**Popular name:** Act 345

*The People of the State of Michigan enact:*

**38.551 Fire and police department pension and retirement system; retirement board, members, election, appointment, terms.**

Sec. 1. The retirement board, also referred to in this act as the pension board, created hereunder shall be known as "The retirement board" and shall be a corporate body, consisting of 5 members, which shall consist of:

(1) The treasurer of the city, village or municipality, so affected hereby.

(2) Two additional members, 1 of whom shall be an active member of and elected by a majority vote of the members of the fire department, and 1 of whom shall be an active member of and elected by a majority vote of the members of the police department under such rules and regulations as the retirement board shall adopt to govern such election. Each such member shall serve for a term of 4 years, except that in the first instance, the member elected by the police department shall serve for a term of 2 years. If in the first instance only the fire department or only the police department is included in the retirement plan, the 2 additional members shall be elected from that department and the candidate receiving the highest number of votes shall be elected for the 4-year term and the candidate receiving the second highest number of votes shall be elected for the 2-year term.

(3) Two additional members shall be appointed by the legislative body or another person or body authorized by the city or village charter to appoint administrative officials in any city or village affected by the provisions of this act.

**History:** 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1945, Act 256, Eff. Sept. 6, 1945;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.551;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951;—Am. 1959, Act 105, Eff. Mar. 19, 1960.

**Popular name:** Act 345

**38.551a Short title.**

Sec. 1a. This act shall be known and may be cited as the "fire fighters and police officers retirement act".

**History:** Add. 1989, Act 7, Imd. Eff. May 3, 1989.

**Popular name:** Act 345

**38.552 Retirement board; powers and duties.**

Sec. 2. The retirement board created under this act shall perform the following:

(1) Make rules and regulations necessary to the proper conduct of the business of the retirement system.

(2) Retain legal, medical, actuarial, clerical, or other services as may be necessary for the conduct of the affairs of the retirement system and make compensations for the services retained.

(3) Cause amounts as established by law to be deducted from the salaries of active members of the retirement system and be paid into the treasury of the retirement system.

(4) Certify to the governing body of the city, village, or municipality the amount to be contributed by the city, village, or municipality as provided in this act.

(5) Cause the examination of each disability pensioner or beneficiary less than 55 years of age to be made at least once a year for the first 5 years following the pensioner's retirement, and at least once each 3 years after the 5 year period, until the pensioner has reached 55 years of age.

(6) Keep records of its meetings and proceedings. The board shall hold meetings at least once each month. The business which the retirement board may perform shall be conducted at a public meeting of the board held in compliance with Act No. 267 of the Public Acts of 1976, being sections 15.261 to 15.275 of the Michigan Compiled Laws. Public notice of the time, date, and place of the meeting shall be given in the



manner required by Act No. 267 of the Public Acts of 1976. A writing prepared, owned, used, in the possession of, or retained by the board in the performance of an official function shall be made available to the public in compliance with Act No. 442 of the Public Acts of 1976, being sections 15.231 to 15.246 of the Michigan Compiled Laws.

(7) The board shall annually elect a president and secretary from among its members.

(8) Disburse the pensions and other benefits payable under this act.

(9) A member of the board shall not receive additional compensation for services as a board member.

**History:** 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1945, Act 256, Eff. Sept. 6, 1945;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.552;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951;—Am. 1977, Act 209, Imd. Eff. Nov. 17, 1977.

**Constitutionality:** The authority delegated to the retirement board by MCL 38.552 of the Michigan Compiled Laws does not constitutionally abrogate the taxation, budgeting, and legislative responsibilities of the township. *Retirement Bd v Shelby Twp*, 438 Mich 247; 475 NW2d 249 (1991).

**Popular name:** Act 345

### **38.552a Compliance with requirements under protecting local government retirement and benefits act.**

Sec. 2a. A retirement board under this act, a retirement system under this act, and a city, village, or municipality that is the custodian of funds of a retirement system under this act shall comply with any applicable requirements under the protecting local government retirement and benefits act.

**History:** Add. 2017, Act 211, Imd. Eff. Dec. 20, 2017.

**Popular name:** Act 345

### **38.553 Retirement system funds; treasurer as custodian; bond; disbursement of funds; execution of voucher or warrant; authorization.**

Sec. 3. The treasurer of the city, village, or municipality shall be the custodian of all funds of the retirement system and shall be required to give a good and sufficient bond to the retirement board for the faithful performance of his or her duties and the safekeeping of all money collected under this act. The bond shall be paid by the city, village, or municipality. The treasurer shall issue warrants for the disbursement of the funds of the retirement system upon the receipt of a voucher signed by at least 2 members of the retirement board other than the treasurer. The treasurer shall not execute a voucher or warrant unless the voucher or warrant has been previously authorized by resolution adopted by the board.

**History:** 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1945, Act 256, Eff. Sept. 6, 1945;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.553;—Am. 1989, Act 7, Imd. Eff. May 3, 1989.

**Popular name:** Act 345

### **38.554 Credit for prior service.**

Sec. 4. All service performed by members prior to the enactment of this act by any city, village or township, including service performed for predecessor townships, shall be computed to the credit of each member so affected.

**History:** 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1939, Act 210, Eff. Sept. 29, 1939;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.554;—Am. 1957, Act 52, Eff. Sept. 27, 1957;—Am. 1958, Act 159, Eff. Sept. 13, 1958.

**Popular name:** Act 345

### **38.555 Retirement board; quasi-judicial body; review of actions by writ of certiorari.**

Sec. 5. The board shall be a quasi-judicial body, and its actions shall be reviewable by writ of certiorari only.

**History:** 1937, Act 345, Eff. Oct. 29, 1937;—CL 1948, 38.555.

**Popular name:** Act 345

### **38.556 Age and service retirement benefits.**

Sec. 6. (1) Age and service retirement benefits payable under this act are as follows:

(a) A member who is 55 years of age or older and who has 25 or more years of service as a police officer or fire fighter in the employ of the municipality affected by this act may retire from service upon written application to the retirement board stating a date, not less than 30 days or more than 90 days after the execution and filing of the application, on which the member desires to be retired. The retirement board shall grant the benefits to which the member is entitled under this act, unless the member continues employment. If the member continues employment, the member's pension shall be deferred with service years of credit until actual retirement. Upon the approval of the legislative body or the electors of a municipality under this act, a



member under 50 years of age who has 25 or more years of service, or without the necessity for approval, a member 50 years of age or more who has 25 or more years of service, may leave service and receive the full retirement benefits payable throughout the member's life as provided in subdivision (e).

(b) A member who is 60 years of age or older shall be retired by the retirement board upon the written application of the legislative body, or board or official provided in the charter of the municipality as head of the department in which the member is employed. Upon retirement, the retirement board shall grant the benefits to which the member is entitled under this act, unless the member continues employment. If the member continues employment, the member's pension shall be deferred with service years of credit until actual retirement.

(c) A member who is 65 years of age shall be retired by the retirement board on the first day of the month following attainment of 65 years of age.

(d) A member who has 10 or more years of service shall have vested retirement benefits that are not subject to forfeiture on account of disciplinary action, charges, or complaints. If the member leaves employment before the date the member would have first become eligible to retire as provided in subdivision (a) for any reason except the member's retirement or death, the member is entitled to a pension that shall begin the first day of the calendar month immediately after the month in which the member's written application for the pension is filed with the retirement board that is on or after the date the member would have been eligible to retire had the member continued in employment. The retirement board shall grant the member the benefits to which the member is entitled under this act, unless the member resumes service. If the member resumes service, the member's pension shall be further deferred with service years of credit until the member actually retires.

(e) Upon retirement from service as provided in this subsection, a member shall receive a regular retirement pension payable throughout the member's life of 2% of the member's average final compensation multiplied by the first 25 years of service credited to the member, plus 1% of the member's average final compensation multiplied by the number of years, and fraction of a year, of service rendered by the member in excess of 25 years. A municipality under this act, upon approval of the legislative body or the electors of the municipality, may increase the percentage of the payment from 2% up to a maximum of 2.5%. If an increase is approved, the increase shall not be reduced for members under the system at the time of the increase. The legislative body may also increase the percentage of employee contributions. If a retired member dies before the total of regular pension payments received by the member equals the total of the member's contributions made to the retirement system, the difference between the member's total contributions and the total of the member's regular retirement pension payments received shall be paid in a single sum to the person or persons the member nominates by written designation duly executed and filed with the retirement board. If there is not a person or persons surviving the retired member, the difference, if any, shall be paid to the retired member's legal representative or estate.

(f) As used in this section, "average final compensation" means the average of the highest annual compensation received by a member during a period of 5 consecutive years of service contained within the member's 10 years of service immediately preceding the member's retirement or leaving service. However, if so provided in a collective bargaining agreement entered into between a municipality under this act and the appropriate recognized bargaining agent, average final compensation may mean the average of the 3 years of highest annual compensation received by a member during the member's 10 years of service immediately preceding the member's retirement or leaving service. If the member has less than 5 years of service, average final compensation means the annual average compensation received by the member during his or her total years of service.

(g) A member shall be given service credit for time spent in the military, naval, marine, or other armed service of the United States government during time of war, or other national emergency recognized by the board, if the member was employed by the municipality at the time of entry into the armed service, and is or was reemployed by the municipality as a police officer or fire fighter within 6 months after the date of termination of his or her required enlistment or assignment in the armed service. A municipality by a 3/5 vote of its governing body or by a majority vote of the qualified electors may provide service credit for not more than 6 years of active military service to the United States government to a member who is employed subsequent to this military service upon payment to the retirement system of 5% of the member's full-time or equated full-time compensation for the fiscal year in which payment is made multiplied by the years of service that the member elects to purchase up to the maximum. Service is not creditable if it is or would be creditable under any other federal, state, or local publicly supported retirement system. However, this restriction does not apply to those persons who have or will have acquired retirement eligibility under the federal government for service in the reserve. A member shall be given service credit for the time the member is absent from active service without full pay on account of sickness or injury. If the absence from active



service is due to nonservice connected sickness or injury, not more than 60 days of the absence shall be credited as service in any 1 calendar year, as determined by the retirement board.

(h) Before the effective date of the member's retirement as provided in this subsection, but not after the effective date of the member's retirement, a member may elect to receive his or her benefit in a pension payable throughout the member's life, called a regular retirement pension, or the member may elect to receive the actuarial equivalent, computed as of the effective date of retirement, of the member's regular retirement pension in a reduced retirement pension payable throughout the member's life, and nominate a survivor beneficiary, under an option provided in this subdivision. Upon the death of a retirant who retires on or after July 1, 1975, and who is receiving a regular retirement pension, his or her spouse, if living, shall receive a pension equal to 60% of the regular retirement pension the deceased retirant was receiving. Benefits shall not be paid under this subdivision on account of the death of a retirant if the member elected to receive his or her pension under an option provided in this subdivision. As used in this subsection, "spouse" means the person to whom the retirant was legally married on both the effective date of retirement and the date of death. Except as otherwise provided in this act, if a member fails to elect an option before the effective date of retirement, then the pension shall be paid as a regular retirement pension. A member may elect 1 of the following options:

(i) Option I. Upon the death of a retired member, his or her reduced retirement pension shall be continued throughout the life of and paid to the person, having an insurable interest in the retired member's life, that the member nominated by written designation executed and filed with the retirement board before the effective date of the member's retirement.

(ii) Option II. Upon the death of a retired member, 1/2 of his or her reduced retirement pension shall be continued throughout the life of and paid to the person, having an insurable interest in the retired member's life, that the member nominated by written designation executed and filed with the retirement board before the effective date of the member's retirement.

(i) If a member continues in service on or after the date of acquiring 20 years of service credit, does not have an option I election provided for in subdivision (j) in force, and dies while in service of the municipality before the effective date of the member's retirement, leaving a surviving spouse, the spouse shall receive a pension computed in the same manner as if the member had retired effective the day preceding the date of the member's death, elected option I provided for in subdivision (h), and nominated the spouse as survivor beneficiary. Upon the death of the spouse the pension shall terminate. A pension shall not be paid under this subdivision on account of the death of a member if benefits are paid under subsection (2) on account of the member's death.

(j) A member who continues in service on or after the date of acquiring 25 years of service credit may, at any time before the effective date of the member's retirement, by written declaration executed and filed with the board in the manner and form prescribed by the board, elect option I provided for in subdivision (h) and nominate a survivor beneficiary whom the board finds to be dependent upon the member for at least 50% of the beneficiary's support. If a member who has an option I election provided for in this subdivision in force dies while in service before the effective date of the member's retirement, the member's survivor beneficiary shall immediately receive the same pension that the survivor beneficiary would have been entitled to receive under option I if the member had retired pursuant to this act effective the day preceding the date of the member's death, notwithstanding that the member may not have attained 55 years of age. If a member who has an option I election provided for in this subdivision in force subsequently retires pursuant to this act, the member, within 90 days immediately preceding the effective date of the member's retirement, but not after the effective date of the member's retirement, may elect an option provided for in subdivision (h). The option election is effective as of the effective date of the member's retirement. A pension shall not be paid under this subdivision on account of the death of a member if benefits are paid under subsection (2) on account of the member's death.

(k) If a retirant receiving a reduced retirement pension under subdivision (h)(i) or (ii) is divorced from the spouse who had been named the retirant's survivor beneficiary under subdivision (h)(i) or (ii), the election of a reduced retirement pension payment option shall be considered void by the retirement system if the judgment of divorce or award or order of the court, or an amended judgment of divorce or award or order of the court, described in section 9 and dated after June 27, 1991 provides that the election of a reduced retirement pension payment option under subdivision (h)(i) or (ii) is to be considered void by the retirement system and the retirant provides a certified copy of the judgment of divorce or award or order of the court, or an amended judgment of divorce or award or order of the court, to the retirement system. If the election of a reduced retirement pension payment option under subdivision (h)(i) or (ii) is considered void by the retirement system under this subsection, the retirant's retirement pension shall revert to a regular retirement pension, including postretirement adjustments, if any, subject to an award or order of the court as described in the public employee retirement benefit protection act. The retirement pension shall revert to a regular retirement pension



under this subdivision effective the first day of the month after the date the retirement system receives a certified copy of the judgment of divorce or award or order of the court. This subdivision does not supersede a judgment of divorce or award or order of the court in effect on June 27, 1991. This subdivision does not require the retirement system to distribute or pay retirement assets on behalf of a retirant in an amount that exceeds the actuarially determined amount that would otherwise become payable if a judgment of divorce had not been rendered.

(2) Disability and service connected death benefits payable under this act are as follows:

(a) To a surviving spouse, a duty death pension of the same amount each week as that which has been paid the surviving spouse under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, to become due and payable on the termination of the payments to the surviving spouse by a municipality under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, and to continue for the surviving spouse's life.

(b) If death results to a member in the line of duty, and the member leaves surviving children, the children shall be paid a pension of the same amount as that which has been paid to them as a weekly benefit under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, to become due and payable upon termination of the payments under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, and to continue to each surviving child until he or she attains 18 years of age, or until his or her marriage or death before attaining 18 years of age.

(c) If death results to a member in the line of duty and the member leaves other surviving dependents, the dependents shall receive a pension of the same amount as that which has been paid to them as a weekly benefit under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, to become due and payable upon termination of the payments under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, and to continue until the time the retirement board determines that the need for a pension no longer exists.

(d) Upon the application of a member or the member's department head, a member who becomes totally incapacitated for duty by reason of a personal injury or disease occurring as the natural and proximate result of causes arising out of and in the course of the member's employment by the municipality shall be retired by the retirement board. The member shall be given a medical examination by a medical committee consisting of a physician named by the retirement board, a physician named by the member claiming benefits, and a third physician designated by the first 2 physicians named. The medical committee, if determined by a majority opinion, shall certify in writing that the member is mentally or physically incapacitated for the further performance of duty as a police officer or fire fighter in the service of the municipality; that the incapacity is likely to be permanent; and that the member should be retired. Upon retirement for disability as provided in this subdivision, a member who has not attained 55 years of age shall receive a disability retirement pension of 50% of the member's average final compensation, which shall be determined according to subsection (1)(f), and shall be payable until the member becomes 55 years of age. Upon becoming 55 years of age, the disabled member shall receive a disability retirement pension computed according to subsection (1)(e). In computing the disability retirement pension, the member shall be given service credit for the period of receipt of a disability retirement pension before attainment of 55 years of age. If a member retired after attaining 55 years of age on account of disability, as provided in this subdivision, the member shall receive a disability retirement pension computed according to subsection (1)(e), notwithstanding that the member may not have 25 years of service credit. The disability retirement pension provided for in this subdivision is subject to subdivisions (f) and (g).

(e) Upon the application of a member or the member's department head, a member in service who has 5 or more years of service credit and who becomes totally and permanently incapacitated for duty by reason of a personal injury or disease occurring as the result of causes arising outside the course of the member's employment by the municipality may be retired by the retirement board. The member shall be given a medical examination by a medical committee consisting of a physician named by the retirement board, a physician named by the member claiming benefits, and a third physician designated by the first 2 physicians named. The medical committee, if determined by a majority opinion, shall certify in writing that the member is mentally or physically incapacitated for the further performance of duty as a police officer or fire fighter in the service of the municipality, that the incapacity is likely to be permanent, and that the member should be retired. Upon retirement for disability, as provided in this subdivision, a member who has not attained 55 years of age shall receive a disability retirement pension until the member becomes 55 years of age, recovers, or dies, whichever occurs first, of 1.5% of the member's average final compensation multiplied by the number of years of service credited to the member. Upon becoming 55 years of age, the member's disability retirement pension shall be increased to 2% of the member's average final compensation multiplied by the number of years of service credited to the member at the time of his or her retirement. Upon retirement for



disability as provided in this subdivision, a member who is 55 years of age or older shall receive a disability retirement pension computed according to subsection (1)(e). This subdivision is subject to subdivisions (f) and (g).

(f) At least once each year during the first 5 years after the retirement of a member with a disability retirement pension and at least once in every 3-year period after disability retirement, the retirement board may, and upon the retired member's application shall, require a retired member who has not attained 55 years of age to undergo a medical examination. The medical examination shall be given by or under the direction of a physician, designated by the retirement board, at the place of residence of the retired member or other place mutually agreed upon. If a retired member who has not attained 55 years of age refuses to submit to the medical examination in the period, the member's disability retirement pension may be discontinued by the retirement board. If the member's refusal continues for 1 year, all the member's rights to his or her disability retirement pension may be revoked by the retirement board. If upon a medical examination of the retired member the physician reports to the retirement board that the retired member is physically capable of resuming employment in the classification held by the member at the time of retirement, the member shall be restored to active service in the employ of the municipality and payment of the disability retirement pension shall cease if the report of the physician is concurred in by the retirement board. A retired member restored to active service shall again become a member of the retirement system from the date of return to service. The member shall contribute to the retirement system after restoration to active service in the same manner as before the member's disability retirement. Service credited to the member at the time of disability retirement shall be restored to full effect. The member shall be given service credit for the period the member was receiving a duty disability retirement pension provided for in subdivision (d), but shall not be given service credit for the period the member was receiving a nonduty disability retirement pension provided for in subdivision (e). Amounts paid under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, to a retired member shall be offset against and payable in place of benefits provided under this act. If the benefits under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, are less than the benefits payable under this act, the amount to be paid out of the funds of the retirement system shall be the difference between the benefits provided under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, and the benefits provided in this act. Upon the termination of benefits under the worker's disability compensation act of 1969, 1969 PA 317, MCL 418.101 to 418.941, the benefits shall be paid pursuant to this act.

(g) Within 60 days before a member becomes 55 years of age, or before retirement from service if retirement occurs after the member becomes 55 years of age, a disabled member who is retired as provided in subdivision (d) or (e) may elect to continue to receive a disability retirement pension as a benefit terminating at death, to be known as a regular disability pension, or may elect to receive the actuarial equivalent, at that time, of a regular disability pension in a reduced disability pension payable throughout life pursuant to an option provided in subsection (1)(h). If a disabled member fails to elect an option, as provided in this subdivision, before becoming 55 years of age or before retirement, the member's retirement pension shall be paid to the member as a regular disability pension terminating at death. If a disabled member who has not elected an option provided in subsection (1)(h) dies before the total of the member's regular disability pension payments received equals or exceeds the total of the member's contributions made to the retirement system, the remainder, if any, shall be paid in a single sum to the person or persons nominated by the member by written designation duly executed and filed with the board. If there is not a designated person or persons surviving, then the remainder, if any, shall be paid to the retired member's legal representative or estate.

**History:** 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1939, Act 210, Eff. Sept. 29, 1939;—Am. 1945, Act 256, Eff. Sept. 6, 1945;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.556;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951;—Am. 1954, Act 173, Eff. Aug. 13, 1954;—Am. 1955, Act 263, Imd. Eff. June 29, 1955;—Am. 1956, Act 169, Imd. Eff. Apr. 16, 1956;—Am. 1959, Act 224, Eff. Mar. 19, 1960;—Am. 1961, Act 201, Eff. Sept. 8, 1961;—Am. 1965, Act 137, Imd. Eff. July 12, 1965;—Am. 1967, Act 256, Eff. Nov. 2, 1967;—Am. 1970, Act 230, Imd. Eff. Nov. 25, 1970;—Am. 1975, Act 147, Imd. Eff. July 9, 1975;—Am. 1976, Act 118, Imd. Eff. May 14, 1976;—Am. 1976, Act 321, Eff. Mar. 31, 1977;—Am. 1989, Act 7, Imd. Eff. May 3, 1989;—Am. 1991, Act 54, Imd. Eff. June 27, 1991;—Am. 2002, Act 98, Imd. Eff. Mar. 27, 2002;—Am. 2003, Act 8, Imd. Eff. May 20, 2003.

**Popular name:** Act 345

### **38.556a Municipality having population of 80,000 or more; applicability of MCL 38.556(1)(h) to certain members.**

Sec. 6a. In a municipality having a population of 80,000 or more, section 6(1)(h) shall be applicable to any member who continues in service on or after the date he or she acquires 15 years of service credit.

**History:** Add. 1963, Act 57, Eff. Sept. 6, 1963;—Am. 1982, Act 145, Imd. Eff. Apr. 28, 1982;—Am. 2003, Act 8, Imd. Eff. May 20, 2003.



Popular name: Act 345

**38.556b Remarriage of surviving spouse; applicability of subsection (1) to municipality.**

Sec. 6b. (1) Notwithstanding section 6 or any predecessor to section 6, the remarriage of a surviving spouse shall not render the surviving spouse ineligible to receive a pension described in section 6(1)(i) or a duty death pension described in section 6(2)(a). A surviving spouse whose pension described in section 6(1)(i) or duty death pension described in section 6(2)(a) was terminated due to the surviving spouse's remarriage shall be eligible to receive that pension or duty death pension beginning on the first day of the month following the month in which written application for reinstatement is filed with the board, but shall not be eligible to receive the pension or duty death pension attributable to any month beginning before the month of reinstatement under this section.

(2) Beginning on the effective date of the amendatory act that amended this subsection, the provisions of subsection (1) that apply to a surviving spouse who is eligible to receive a pension described in section 6(1)(i) shall apply to a municipality upon approval by resolution of the governing body of the municipality.

(3) Beginning on the effective date of the amendatory act that added this subsection, a surviving spouse who is eligible to receive a duty death pension described in section 6(2)(a) and who remarries after the effective date of the amendatory act that added this subsection shall not be denied a duty death pension described in section 6(2)(a) by a municipality because of the remarriage of the surviving spouse.

**History:** Add. 1986, Act 30, Imd. Eff. Mar. 10, 1986;—Am. 2003, Act 8, Imd. Eff. May 20, 2003.

**Compiler's note:** Former MCL 38.556b, pertaining to vested rights in pensions and benefits, was repealed by Act 321 of 1976.

Popular name: Act 345

**38.556c Service credit for employment in transitional public employment program; payment of contributions and regular interest; payroll deduction; amount in reserve; payment of contributions by current employer; accident, disability, or other benefits.**

Sec. 6c. (1) If a person who participated in a transitional public employment program becomes a member of a retirement system established under this act within 12 months after the date of termination as a participant in a transitional public employment program, service credit shall be given for employment in the transitional public employment program for purposes of determining a retirement allowance upon the payment by the person and the person's employer under the transitional public employment program from funds provided under the comprehensive employment and training act, 29 U.S.C. 801 to 992, as funds permit, to the retirement system of the contributions, plus regular interest, the person and the employer would have paid had the employment been rendered in a position covered by this act. During the person's employment in the transitional public employment program, the person's employer shall provide an opportunity by payroll deduction for the person to make his or her employee contribution to the applicable pension system. To provide for the eventual payment of the employer's contribution, the person's employer shall during this same period place in reserve a reasonable but not necessarily an actuarially determined amount equal to the contributions which the employer would have paid to the retirement system for those employees in the transitional public employment program as if they were members under this act, but only for that number of employees which the employer determined would transfer from the transitional public employment program into positions covered by this act. If the funds provided under the comprehensive employment and training act are insufficient, the remainder of the employer contributions shall be paid by the person's current employer.

(2) The provisions of subsection (1) shall not exclude the participant in a transitional public employment program from the accident, disability or other benefits available to members of the retirement system covered by this act.

**History:** Add. 1978, Act 421, Imd. Eff. Sept. 30, 1978.

Popular name: Act 345

**38.556d Postretirement adjustments increasing retirement benefits.**

Sec. 6d. A municipality, by ordinance or in another manner provided by law, may adopt from time to time benefit programs providing for postretirement adjustments increasing retirement benefits. Such benefit programs may provide for 1-time postretirement percentage increases in retirement benefits; annual or other periodic postretirement percentage increases in retirement benefits; lump sum postretirement distributions; or any other method considered appropriate by the municipality. The retirement benefit payable after making an adjustment pursuant to the benefit program adopted shall be the new retirement benefit payable until the next adjustment, if any, is made.

**History:** Add. 1987, Act 145, Imd. Eff. Oct. 26, 1987.

Popular name: Act 345



### **38.556e Mandatory subjects of bargaining.**

Sec. 6e. Notwithstanding any other provisions of this act, any matter relating to the retirement system provided by this act, including, but not limited to, postretirement adjustment increases, applicable to current employees represented by a collective bargaining agent is a mandatory subject of bargaining under the public employment relations act, Act No. 336 of the Public Acts of 1947, being sections 423.201 to 423.216 of the Michigan Compiled Laws.

**History:** Add. 1987, Act 145, Imd. Eff. Oct. 26, 1987.

**Popular name:** Act 345

### **38.557 "An act of duty," "municipality" and "transitional public employment program" defined.**

Sec. 7. As used in this act:

(a) "An act of duty" means an act performed by a fire fighter or police officer arising out of and in the course of employment, or the performance of an act pertinent or incidental to the work of a fire fighter or police officer, regardless of time or place.

(b) "Municipality" includes a county, township, charter township, city, or incorporated village.

(c) "Transitional public employment program" means a public service employment program in the area of environmental quality, health care, education, public safety, crime prevention and control, prison rehabilitation, transportation, recreation, maintenance of parks, streets and other public facilities, solid waste removal, pollution control, housing and neighborhood improvements, rural development, conservation, beautification, veterans' outreach, or any other area of human betterment and community improvement as part of a program of comprehensive manpower services authorized, undertaken, and financed pursuant to the comprehensive employment and training act of 1973, 29 U.S.C. 801 to 992.

**History:** 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1945, Act 256, Eff. Sept. 6, 1945;—CL 1948, 38.557;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951;—Am. 1968, Act 210, Imd. Eff. June 24, 1968;—Am. 1978, Act 421, Imd. Eff. Sept. 30, 1978.

**Popular name:** Act 345

### **38.558 Refunds of salary contributions.**

Sec. 8. Refunds of salary contributions:

(1) If a fire fighter or police officer dies before being placed on pension, the total amount of the member's salary deductions, with interest as the board may determine, but not to exceed 2% per annum, shall be payable to the person or persons that the member nominated by written designation duly executed and filed with the board. If there is no designated person or persons surviving, then the total of the member's salary deductions shall be paid to the member's legal representative or estate.

(2) If a fire fighter or police officer becomes separated from the service before being eligible for retirement, the member shall be paid the total of the member's contributions together with interest as the board may determine, but not to exceed 2% per annum credited to the member upon his or her written request for a refund. If the person again becomes employed by the city, village, or municipality as a police officer or fire fighter, he or she shall, within 1 year following his or her reemployment, repay to the retirement system the amount previously withdrawn together with interest at 2% per year.

**History:** 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1939, Act 210, Eff. Sept. 29, 1939;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.558;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951;—Am. 1957, Act 52, Eff. Sept. 27, 1957;—Am. 1989, Act 7, Imd. Eff. May 3, 1989.

**Popular name:** Act 345

### **38.559 Contributions of member; rate; deduction from salary; appropriations to maintain actuarially determined reserves; payment of deductions and appropriations into retirement system; prorating pensions and other benefits; expenses; pensions as obligations of retirement system.**

Sec. 9. (1) The contributions of a member to the retirement system shall be 5% of the salary paid to the member by the municipality. The officer responsible for making up the payroll shall cause the contributions provided for in this subsection to be deducted from the salary of each member on each payroll for each payroll period so long as he or she remains an active member in the employ of the municipality. The amounts deducted shall be paid into the funds of the retirement system. The members' contributions provided for in this act shall be made notwithstanding that the minimum salary provided for by law is changed by the members' contributions. Every member shall be considered to consent and to agree to the deductions made and provided for in this act and shall receipt for his or her full salary and payment of his or her salary less the



deduction, which is a full and complete discharge and acquittance of all claims and demands for the services rendered by the member during the period covered by the payment, except as to benefits provided by this retirement system.

(2) For the purpose of creating and maintaining a fund for the payment of the pensions and other benefits payable as provided in this act, the municipality, subject to the provisions of this act, shall appropriate, at the end of such regular intervals as may be adopted, quarterly, semiannually, or annually, an amount sufficient to maintain actuarially determined reserves covering pensions payable or that might be payable on account of service performed and to be performed by active members, and pensions being paid to retired members and beneficiaries. The appropriations to be made by the municipality in any fiscal year shall be sufficient to pay all pensions due and payable in that fiscal year to all retired members and beneficiaries. The amount of the appropriation in a fiscal year shall not be less than 10% of the aggregate pay received during that fiscal year by members of the retirement system unless, by actuarial determination, it is satisfactorily established that a lesser percentage is needed. All deductions and appropriations shall be payable to the treasurer of the municipality and he or she shall pay the deductions and appropriations into the retirement system. Except in municipalities that are subject to the 15 mill tax limitation as provided by section 6 of article IX of the state constitution of 1963, the amount required by taxation to meet the appropriations to be made by municipalities under this act shall be in addition to any tax limitation imposed upon tax rates in those municipalities by charter provisions or by state law subject to section 25 of article IX of the state constitution of 1963.

(3) If, at the beginning or during any fiscal year, it has been satisfactorily determined by the retirement board that the accumulated funds of the retirement system plus the municipality's contribution of 10% of the aggregate pay received during that fiscal year by members of the retirement system plus members' contributions of 5% of payroll, are insufficient to pay all pensions and other benefits due and payable in that year out of funds of the retirement system, then all pensions and other benefits payable shall be prorated for the remainder of the fiscal year by the retirement board.

(4) Any clerical, legal, actuarial, or medical expenses required by the retirement board, or any other necessary expense for the operation of the retirement system, shall be provided for by the municipality or shall be paid from the investment income of the retirement system, as determined by the governing body of the municipality. The retirement board shall submit expenses periodically to the governing body of the municipality. If use of investment income to pay these expenses causes an actuarial insufficiency in the assets of the retirement system used to pay pensions, the insufficiency shall be made up by the municipality.

(5) All pensions allowed and payable to retired members and beneficiaries under this act shall become obligations of and be payable from the funds of the retirement system.

(6) The right of a person to a pension, to the return of member contributions, to any optional benefits, or any other right accrued or accruing to a member or beneficiary under this act and the money belonging to the retirement system is subject to the public employee retirement benefit protection act.

**History:** 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1939, Act 210, Eff. Sept. 29, 1939;—Am. 1945, Act 256, Eff. Sept. 6, 1945;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.559;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951;—Am. 1985, Act 36, Imd. Eff. June 13, 1985;—Am. 1987, Act 145, Imd. Eff. Oct. 26, 1987;—Am. 1991, Act 54, Imd. Eff. June 27, 1991;—Am. 2002, Act 98, Imd. Eff. Mar. 27, 2002.

**Popular name:** Act 345

### **38.560 Investments; transfer and disposition of certain assets.**

Sec. 10. Any and all cash assets and funds on hand not necessary for immediate payment of pensions or benefits under this act shall be invested subject to all the terms, conditions, limitations, and restrictions imposed by the statutes of this state upon life insurance companies in making and disposing of their investments, and as provided by law relating to investment authority of public employee retirement systems under Act No. 314 of the Public Acts of 1965, being sections 38.1132 to 38.1140i of the Michigan Compiled Laws, and any and all assets of every description of the pension or retirement fund created by any city, village, or municipality under this act shall be transferred and deposited to the credit of the newly created retirement system under this act.

**History:** 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.560;—Am. 1965, Act 33, Eff. Mar. 31, 1966;—Am. 1989, Act 7, Imd. Eff. May 3, 1989.

**Popular name:** Act 345

### **38.561 Referendum; township or charter township.**

Sec. 11. At any time after this act shall become effective, any city, village or municipality having a paid or part paid fire or police department, may come under the provisions of this act and create a pension board hereunder by submitting the same to the electors of any such city, village or municipality at any regular or



special election for adoption, in the manner provided by law for amending charters: Provided, That this act shall not become effective until the beginning of the next succeeding fiscal year after such adoption of the provisions of this act by any city, village or municipality: Provided further, That where no provision is made in the charter of the city, village or municipality for amending said charters, this act may be submitted for adoption in accordance with any law authorizing the amending of the charters of cities: Provided further, That in case of a township or charter township, this act shall be submitted to the qualified electors of such township or townships by the township board on the filing of a petition requesting the submission, signed by 10 per cent of the registered and qualified electors in such township or charter township, at any general election or special election called for that purpose by the township board, in accordance with the laws of this state, and this act shall be in force and effect in any such township or charter township if a majority of the electors voting on such proposition, as determined by the canvass of votes cast, shall vote in favor thereof.

**History:** 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1939, Act 210, Eff. Sept. 29, 1939;—Am. 1945, Act 256, Eff. Sept. 6, 1945;—CL 1948, 38.561;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951.

**Popular name:** Act 345

### **38.561a Violation of MCL 168.1 to 168.992 applicable to petitions; penalties.**

Sec. 11a. A petition under section 11, including the circulation and signing of the petition, is subject to section 488 of the Michigan election law, 1954 PA 116, MCL 168.488. A person who violates a provision of the Michigan election law, 1954 PA 116, MCL 168.1 to 168.992, applicable to a petition described in this section is subject to the penalties prescribed for that violation in the Michigan election law, 1954 PA 116, MCL 168.1 to 168.992.

**History:** Add. 1998, Act 200, Eff. Mar. 23, 1999.

**Popular name:** Act 345

### **38.562 Membership of retirement system.**

Sec. 12. (1) The membership of the retirement system created by a municipality affected by this act shall include each police officer and fire fighter employed by a municipality. A police officer or fire fighter, who is a member of the retirement system and who is transferred from the classification of a police officer or fire fighter to a civilian position within the police or fire department or who is transferred from the police or fire department of the municipality to another department of the municipality by an officer or body of the municipality authorized to make the transfer, shall continue as a member of this retirement system covering the police officers and fire fighters, and shall be subject to the provisions of the retirement system. If the officers and employees of the department to which the person is transferred are covered by an annuity pension or retirement system to which the municipality makes contributions and the person transferred becomes entitled to membership in that system, the person shall cease to be a member of this police officer and fire fighter retirement system.

(2) The membership of the retirement system shall not include a volunteer fire fighter, a privately employed police officer or fire fighter, a person temporarily employed during an emergency, a civilian employee of a police and fire department, or a person participating in a transitional public employment program, except as provided in subsection (1) and section 6c.

**History:** 1937, Act 345, Eff. Oct. 29, 1937;—Am. 1939, Act 210, Eff. Sept. 29, 1939;—Am. 1947, Act 229, Imd. Eff. June 17, 1947;—CL 1948, 38.562;—Am. 1951, Act 16, Imd. Eff. Mar. 30, 1951;—Am. 1978, Act 421, Imd. Eff. Sept. 30, 1978.

**Popular name:** Act 345

# EXHIBIT - 2

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# City of Southgate, Michigan

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with Supplemental Information  
June 30, 2021**

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## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

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

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Southgate, Michigan as of June 30, 2021 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

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

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

### **Other Matters**

#### *Required Supplemental Information*

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

#### *Other Information*

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

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

### **Other Reporting Required by Government Auditing Standards**

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

*Plante & Moran, PLLC*

November 29, 2021



Our discussion and analysis of the City of Southgate, Michigan's 2021 annual report is presented in conformity with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34. This annual report includes a discussion and analysis of the City of Southgate, Michigan's (the "City") financial performance. This discussion and analysis provides an overview of the City's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the City's financial statements.

### ***Financial Highlights***

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2021:

- Property taxes are the City's single largest source of revenue. The City's taxable value for fiscal year 2021 was \$728,000,000, which represents an increase of \$24,000,000, or 3.4 percent.
- The City closely monitors discretionary spending by performing periodic budget adjustments. As a result, fund balance in the General Fund increased by \$1,544,069. The increase was primarily due to the receipt of approximately \$1.2 million in nonrecurring federal COVID-19 grants and the deferral of various expenses to the next fiscal year.
- The City continues to eliminate its outstanding debt in the governmental activities. The City has reduced its outstanding debt since 2009 by 76 percent. As a result, the outstanding debt for fiscal year 2021 is \$3,317,283.

### ***Using This Annual Report***

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

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

## City of Southgate, Michigan

### Management's Discussion and Analysis (Continued)

#### ***The City as a Whole***

The following tables show, in a condensed format, the net position as of June 30, 2021 compared to the prior year:

#### **The City's Net Position**

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

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



Business-type activities net position decreased by approximately \$112,000. Business-type activities comprise approximately \$26 million of the total net position. The year-over-year change is primarily due to a decrease in OPEB-related expenses. Operating revenue and expenses remained consistent with the prior year.

Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, decreased by approximately \$1.1 million for governmental activities and increased by approximately \$56,000 for business-type activities. The current level of unrestricted net position stands at a deficit of \$112.3 million for governmental activities and a deficit of approximately \$4.8 million for business-type activities. Restricted net position for business-type activities totaled approximately \$1.1 million at June 30, 2021, which is consistent with the prior year. Restricted net position reported in governmental activities has limits on its use that are externally imposed by restrictions such as enabling legislation. These resources can be used only for the specific purpose for which they were intended, such as expenditures for the Southgate/Wyandotte drain operation and maintenance, public act 345 pension expenses, street expenses, library services, recreation expenses, debt service, and narcotics enforcement.

**The City's Changes in Net Position**

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



## City of Southgate, Michigan

### Management's Discussion and Analysis (Continued)

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

The City's business-type activities consist of the Water and Sewer Fund and the Golf Course Fund. We provide water to residents from the Great Lakes Water Authority. We also provide sewage treatment through the Downriver Utility Wastewater Authority. In the Golf Course Fund, the two biggest factors affecting business are weather and the economy. Since January 2012, the clubhouse has been under new management, and the City continues to focus on improving the operating results of the golf course. In the current year, the Water and Sewer Fund has operating income of \$264,843, while the Golf Course Fund has operating income of \$68,069. Excluding depreciation, the Water and Sewer Fund had operating income of \$1,563,606, while the Golf Course Fund had operating income of \$93,680.

#### ***The City's Funds***

The analysis of the City's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes and to show accountability for certain activities, such as special property tax millages. The City's major governmental funds for 2021 include the General Fund, the Major Street Fund, the Local Street Fund, and the Southgate-Wyandotte Operation and Maintenance Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of \$12,906,147 in the current year. The budget in the General Fund is basically a maintenance budget, which means it increases modestly from year to year. The fund balance of the City's General Fund represents 18 percent, or \$5,009,076, of total governmental fund balances. The General Fund's fund balance, which includes the Severance Reserve Fund, increased by \$1,544,069 from the prior year. The increase was primarily due to the receipt of approximately \$1.2 million in nonrecurring federal COVID-19 grants and the deferral of various expenses to the next fiscal year.

Fund balance of the Major Street Fund increased by \$969,135 from the prior year. The increase was primarily due to planned projects being deferred until the next fiscal year as a result of the pandemic.

Fund balance of the Local Street Fund increased by \$1,071,890 from the prior year. The increase was primarily due to planned projects being deferred until the next fiscal year as a result of the pandemic.

Fund balance of the Southgate-Wyandotte Operation and Maintenance Fund increased by \$454,745 from the prior year.



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

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

#### **Capital Assets and Debt Administration**

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

At the end of 2021, the City had approximately \$102 million (net of depreciation) invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines, as well as roads within the City. Additional information on the City's capital assets can be found in Note 5 to the financial statements.

The City's total indebtedness as of June 30, 2021 was \$16.6 million. Of this amount, \$10.1 million represents the City's portion of bonds related to the Downriver Utility Wastewater System and Wayne County Downriver Sewage Disposal System's judgment bonds. Additional information on the City's long-term debt can be found in Note 7 to the financial statements.

#### **Economic Factors and Next Year's Budgets and Rates**

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

We anticipate that the water and sewer rates will have to increase somewhat in 2021. We are in the process of evaluating the amount of increase that will be needed and will likely have a public hearing in 2021 to discuss the need for such an increase.

#### **Contacting the City's Management**

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



Statement of Net Position

June 30, 2021

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

## City of Southgate, Michigan

### Statement of Net Position (Continued)

June 30, 2021

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

## City of Southgate, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 6,255,290	\$ 853,983	\$ 35,834	\$ -
28th District Court	1,334,143	924,919	187,726	-
Public safety	13,545,267	83,882	1,332,480	119,160
Public works	7,254,558	1,857,381	3,080,557	15,026
Recreation and culture	1,894,280	414,369	742,781	-
Interest on long-term debt	146,223	-	-	-
Total governmental activities	30,429,761	4,134,534	5,379,378	134,186
Business-type activities:				
Water and Sewer Fund	7,973,589	7,793,524	-	-
Golf Course Fund	320,702	388,771	-	-
Total business-type activities	8,294,291	8,182,295	-	-
Total primary government	<u>\$ 38,724,052</u>	<u>\$ 12,316,829</u>	<u>\$ 5,379,378</u>	<u>\$ 134,186</u>
Component units:				
Tax Increment Financing Authority	\$ 711,633	\$ -	\$ -	\$ -
Downtown Development Authority	167,895	-	-	-
Southern Michigan Information Alliance	106,890	86,395	-	-
Total component units	<u>\$ 986,418</u>	<u>\$ 86,395</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
Unrestricted state-shared revenue				
Unrestricted investment income				
Gain on sale of capital assets				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position (Deficit) - Beginning of year				
Net Position (Deficit) - End of year				



## Statement of Activities

Year Ended June 30, 2021

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

## City of Southgate, Michigan

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

# Governmental Funds Balance Sheet

June 30, 2021

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



Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2021

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 27,220,798</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	60,134,626
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	837,483
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(3,317,283)
Deferred charges on bond refundings are not amortized over the related bond terms and are not reported in the funds	146,917
Accrued interest is not due and payable in the current period and is not reported in the funds	(21,290)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(2,143,462)
Pension benefits	(32,565,103)
Retiree health care benefits	(89,961,206)
Deferred inflows of resources related to pension are not reported in the funds	(5,633,199)
Deferred outflows of resources related to pension are not reported in the funds	5,866,487
Deferred inflows of resources related to OPEB are not reported in the funds	(9,389,317)
Deferred outflows of resources related to OPEB are not reported in the funds	15,963,731
Other long-term liabilities, such as claims and judgments, landfill closure and post-closure costs, and net pension obligations, do not present a claim on current financial resources and are not reported as fund liabilities	(70,000)
Internal service funds are included as part of governmental activities	149,137
<b>Net Position (Deficit) of Governmental Activities</b>	<b>\$ (32,781,681)</b>

## City of Southgate, Michigan

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



Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2021

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

Governmental Funds

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

Year Ended June 30, 2021

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 4,354,497</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	2,191,085
Depreciation expense	(3,226,649)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	302,939
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	986,885
The change in deferred charges on bond refunding balance is recorded in the statement of activities	(46,608)
Interest expense is recognized in the government-wide statements as it accrues	6,443
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(2,211,057)
Internal service funds are included as part of governmental activities	(22,961)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 2,334,574</u></b>

Proprietary Funds  
Statement of Net Position

June 30, 2021

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



# City of Southgate, Michigan

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

Year Ended June 30, 2021

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



Proprietary Funds  
Statement of Cash Flows

Year Ended June 30, 2021

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

Proprietary Funds  
Statement of Cash Flows (Continued)

Year Ended June 30, 2021

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

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

Fiduciary Funds  
Statement of Fiduciary Net Position

June 30, 2021

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



Fiduciary Funds  
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2021

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



Component Units  
Statement of Net Position

June 30, 2021

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

## City of Southgate, Michigan

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

### General revenue:

Taxes

Investment income

Other miscellaneous income

Total general revenue

### Change in Net Position

**Net Position** - Beginning of year

**Net Position** - End of year

Component Units  
Statement of Activities

Year Ended June 30, 2021

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



## Note 1 - Significant Accounting Policies

### ***Reporting Entity***

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

### **Blended Component Units**

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

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

### **Discretely Presented Component Units**

The following component units are presented discretely from the City:

#### ***Tax Increment Financing Authority***

The Tax Increment Financing Authority's (the "Authority") governing body, which consists of 11 individuals, is appointed by the mayor and approved by the City Council. In addition, the Authority's budget is subject to approval by the City Council. The Authority was created in 1985, and the first year of tax increment revenue capture was 1986. The tax increment financing plan was amended in 2001 and is set to expire in fiscal year 2025. The assets of the Tax Increment Financing Authority district have been pledged for repayment of the Fun and Fitness Center debt. As of June 30, 2021, the Fun and Fitness Center future debt service is broken down into \$3,105,000 of principal payments and \$246,220 of interest payments.

#### ***Downtown Development Authority***

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

#### ***Southeastern Michigan Information Alliance***

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



June 30, 2021

**Note 1 - Significant Accounting Policies (Continued)****Policemen and Firemen Retirement System**

The Policemen and Firemen Retirement System provides pension benefits for certain police and fire personnel. Management of the Policemen and Firemen Retirement System is vested in the retirement board, which consists of five members: the mayor, or a resident of the City designated by the mayor; a member of City Council to be selected by City Council; a resident who is an elector of the City appointed by City Council and who is not eligible to participate in the retirement system as a member; and two members of the retirement system elected by plan members. The financial statements of the Policemen and Firemen Retirement System are included in these financial statements as a pension trust fund (a fiduciary fund).

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

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

**Jointly Governed Organizations**

Jointly governed organizations are discussed in Note 13.

**Accounting and Reporting Principles**

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

**Report Presentation**

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

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

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



June 30, 2021

## Note 1 - Significant Accounting Policies (Continued)

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

### ***Basis of Accounting***

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

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

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

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

### ***Fund Accounting***

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

### **Governmental Funds**

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

- *General Fund* - The General Fund is the primary operating fund. It accounts for all financial resources used to provide government services other than those specifically assigned to another fund.



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

- *Southgate-Wyandotte Operation and Maintenance Fund* - The Southgate-Wyandotte Operation and Maintenance Fund accounts for the resources from special assessments that are restricted for the operation and maintenance of the Southgate-Wyandotte Drainage District.
- *Major Street Fund* - The Major Street Fund accounts for the resources of state gas and weight tax revenue that is restricted for use on major streets. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.
- *Local Street Fund* - The Local Street Fund accounts for the resources of state gas and weight tax revenue that is restricted for use on local streets. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

**Proprietary Funds**

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

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

**Workers' Compensation Fund**

The Workers' Compensation Fund (an internal service fund) accounts for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, mainly on a cost-reimbursement basis.

**Fiduciary Funds**

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

- *Pension and Other Employee Benefit Trust Funds* - The pension and other employee benefit trust funds account for the activities of the Policemen and Firemen Retirement System, Municipal Employees' Retiree Healthcare System, and Act 345 Health Insurance, which accumulate resources for pension benefit payments and postemployment health care costs to qualified police and fire and municipal retirees.
- *Custodial Funds* - The custodial funds account for assets held by the City in a trustee capacity or as a custodian for individuals, organizations, and other governments. This includes the taxes collected on behalf of other taxing authorities and assets held in the Senior Citizens' Trust.

**Interfund Activity**

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



June 30, 2021

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

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

***Specific Balances and Transactions*****Cash and Investments**

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

**Receivables**

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

**Inventories and Prepaid Items**

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

**Restricted Assets**

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

**Capital Assets**

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

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

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

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



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

**Long-term Obligations**

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

**Deferred Outflows/Inflows of Resources**

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



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

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

**Net Position Flow Assumption**

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

**Fund Balance Flow Assumptions**

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

**Fund Balance Policies**

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

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



June 30, 2021

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

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

**Property Tax Revenue**

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

The City's 2021 property tax revenue was levied and collectible on July 1, 2020 and is recognized as revenue in the year ended June 30, 2021 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2021 taxable valuation of the City totaled approximately \$728 million (a portion of which is abated and a portion of which is captured by the Authority and the DDA), on which taxes levied consisted of 10.1295 mills for the City's operating purposes, 2.4308 mills for refuse, 10.0310 mills for Act 345 police and fire retirement, 0.8800 mills for the library's operating purposes, 1.9320 mills for road construction, 0.0675 mills for Act 359, and 0.9993 mills for parks and recreation. Prior to the Downtown Development Authority and Tax Increment Finance Authority tax captures, the ad valorem taxes levied raised approximately \$7,329,000 for operations, \$1,759,000 for refuse, \$7,257,000 for police and fire retirement, \$637,000 for the library's operations, \$1,398,000 for road construction, \$49,000 for Act 359, and \$723,000 for parks and recreation millage. In the current year, the City executed a sharing agreement with the Downtown Development Authority and Tax Increment Finance Authority in which the DDA and the Authority agreed to forgo their allowable captures. In 2021, this amounted to \$76,824 and \$342,077 in forgone captures for the DDA and the Authority, respectively. These amounts are recognized in the General Fund as tax revenue.

**Pension**

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



**Note 1 - Significant Accounting Policies (Continued)****Other Postemployment Benefits**

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

**Compensated Absences (Vacation and Sick Leave)**

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

**Proprietary Funds Operating Classification**

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

**Use of Estimates**

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

**Upcoming Accounting Pronouncements**

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2022.



June 30, 2021

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

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

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

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

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

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2023.

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



## Note 1 - Significant Accounting Policies (Continued)

### *Adoption of New Accounting Pronouncements*

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

## Note 2 - Stewardship, Compliance, and Accountability

### *Construction Code Fees*

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

Cumulative surplus at July 1, 2020	\$ 281,251
Current year permit revenue	596,501
Related expenses:	
Direct costs	(643,281)
Indirect costs	(75,499)
Current year surplus	(122,279)
Cumulative surplus June 30, 2021	<u>\$ 158,972</u>

## Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act (PA) 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

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

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



June 30, 2021

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

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

***Custodial Credit Risk of Bank Deposits***

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

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

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

***Interest Rate Risk***

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

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

Fiduciary Funds	Fair Value	Less Than 5 Years	5-15 Years	Over 15 Years
Mortgage-backed securities	\$ 20,037	\$ 46	\$ -	\$ 19,991
U.S. government securities	1,765,918	-	-	1,765,918
Corporate bonds	830,085	85,000	637,862	107,223
Total	<u>\$ 2,616,040</u>	<u>\$ 85,046</u>	<u>\$ 637,862</u>	<u>\$ 1,893,132</u>

***Credit Risk***

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of June 30, 2021, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

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



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

#### *Concentration of Credit Risk*

The City is authorized by the State's Pension Investment Act to invest in common stocks, real estate, and various other investment vehicles, subject to certain limitations. At June 30, 2021, the Policemen and Firemen Retirement System had multiple investments, which mostly consisted of pooled investments that exceed 5.00 percent of the total portfolio. The plan had 7.94 percent invested in First Eagle Overseas Fund, 10.04 percent invested in Loomis Sayles Investment Grade Bond Fund, 6.43 percent invested in Edgewood Growth Institutional fund, 5.07 percent invested in Vanguard FTSE Emerging Markets Fund, and 9.95 percent invested in Kopernik Global All-Cap Fund.

#### *Risk and Uncertainties*

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

### Note 4 - Fair Value Measurements

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

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

June 30, 2021

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

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

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

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

The fair value of U.S. government securities and mortgage-backed securities at June 30, 2021 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

The fair value of private equity funds at June 30, 2021 was determined primarily based on Level 3 inputs. The City estimates the fair value of these investments using the funds' fair value, which would be defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. At June 30, 2021, the total unfunded commitments on the private equity funds were \$5,102,548. There are no redemption restrictions associated with any of the Level 3 investments.

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

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

The City holds shares or interests in investment companies where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.



June 30, 2021

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

As of June 30, 2021, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
External investment pools	\$ 2,143,008	\$ 345,629	N/A	N/A

The external investment pools include funds that invest in debt securities that include a broad range of credit ratings and industries. The fair value of the investments in this class have been estimated using net asset value per share of the investment.

**Note 5 - Capital Assets**

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

**Governmental Activities**

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



June 30, 2021

**Note 5 - Capital Assets (Continued)*****Business-type Activities***

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

***Component Units***

	Balance July 1, 2020	Additions	Disposals and Adjustments	Balance June 30, 2021
Capital assets being depreciated:				
Machinery and equipment	\$ 210,903	\$ -	\$ -	\$ 210,903
Land improvements	726,005	-	-	726,005
Subtotal	936,908	-	-	936,908
Accumulated depreciation:				
Machinery and equipment	210,903	-	-	210,903
Land improvements	206,984	36,300	-	243,284
Subtotal	417,887	36,300	-	454,187
Net component units capital assets	<u>\$ 519,021</u>	<u>\$ (36,300)</u>	<u>\$ -</u>	<u>\$ 482,721</u>

June 30, 2021

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

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

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

**Construction Commitments**

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

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

June 30, 2021

**Note 6 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Southgate-Wyandotte Operation and Maintenance Fund	\$ 21,751
	Nonmajor governmental funds	340,435
	Internal Service Fund - Workers' Compensation	140,000
	Total General Fund	502,186
Local Street Fund	Major Street Fund	91,072
Nonmajor governmental funds	Southgate-Wyandotte Operation and Maintenance Fund	4,000
	General Fund	37,340
	Total nonmajor governmental funds	41,340
Internal service fund - Workers' Compensation Fund	General Fund	506,035
	Total	\$ 1,140,633

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

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Nonmajor governmental funds	\$ 153,000
Major Street Fund	Local Street Fund	556,202
Nonmajor governmental funds	Nonmajor governmental funds	98,775
	Total	\$ 807,977

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



June 30, 2021

**Note 7 - Long-term Debt**

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

**Governmental Activities**

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

June 30, 2021

**Note 7 - Long-term Debt (Continued)*****Business-type Activities***

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

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

The Building Authority's bonds represent the financing to construct the Fun and Fitness Center, ice arena, and library expansion. The assets of the Tax Increment Financing Authority district have been pledged for repayment of the Fun and Fitness Center debt.



June 30, 2021

**Note 7 - Long-term Debt (Continued)*****Debt Service Requirements to Maturity***

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

Years Ending June 30	Governmental Activities					Business-type Activities		
	Direct Borrowings and Direct Placements		Other Debt		Total	Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest		Principal	Interest	
2022	\$ 4,914	\$ 29	\$ 685,000	\$ 86,580	\$ 776,523	\$ 632,868	\$ 451,534	\$ 1,084,402
2023	-	-	705,000	68,390	773,390	686,184	431,561	1,117,745
2024	-	-	620,000	49,660	669,660	993,875	410,481	1,404,356
2025	-	-	640,000	33,540	673,540	725,836	388,397	1,114,233
2026	-	-	650,000	16,900	666,900	749,127	365,823	1,114,950
2027-2031	-	-	-	-	-	3,705,677	1,469,332	5,175,009
2032-2036	-	-	-	-	-	3,050,555	935,910	3,986,465
2037-2041	-	-	-	-	-	2,116,937	462,435	2,579,372
Thereafter	-	-	-	-	-	616,325	105,911	722,236
Total	<u>\$ 4,914</u>	<u>\$ 29</u>	<u>\$ 3,300,000</u>	<u>\$ 255,070</u>	<u>\$ 3,560,013</u>	<u>\$ 13,277,384</u>	<u>\$ 5,021,384</u>	<u>\$ 18,298,768</u>

**Note 8 - Restricted Assets**

A portion of the water and sewer user fees is restricted by ordinance to be used solely for the purpose of making capital improvements in the City's water and sewer system. All of the restricted user fees collected in the current year were spent on capital and no amounts are restricted at June 30, 2021. In addition, restricted assets result from the establishment of debt reserves related to Wayne County Downriver Sewage Disposal System bonds and to Downriver Utility Wastewater System bonds.

At June 30, 2021, restricted assets are composed of the following:

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

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



June 30, 2021

**Note 9 - Fund Balance Constraints**

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

	General Fund	Capital Improvement Fund
Nonspendable - Prepaids	\$ 164,829	\$ -
Restricted:		
Unspent property tax proceeds - Rubbish	167,408	-
Unspent property tax proceeds - Police and fire pension	735,485	-
Low-income housing	9,163	-
Building department	158,972	-
Total restricted	1,071,028	-
Committed:		
County property tax chargebacks/MTT settlements	300,000	-
Computer software acquisition	10,000	-
Police cars	-	438,567
Property acquisition	-	115,116
Fire rescue equipment	-	160,000
SINC	136,000	-
Total committed	446,000	713,683
Assigned:		
Workers' compensation	330,000	-
Severance reserve	990,000	-
Future working capital	300,000	-
Future OPEB	200,000	-
Future budget shortfalls due to deficiencies in court revenue	600,000	-
Capital projects	-	249,856
Total assigned	2,420,000	249,856
Unassigned	907,219	-
Total nonspendable, restricted, committed, assigned, and unassigned fund balances	\$ 5,009,076	\$ 963,539

**Note 10 - Risk Management**

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

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

	2021	2020
Unpaid claims - Beginning of year	\$ 298,000	\$ 298,000
Incurred claims, including claims incurred but not reported	54,178	54,157
Claim payments	(54,178)	(54,157)
Unpaid claims - End of year	\$ 298,000	\$ 298,000



June 30, 2021

## Note 10 - Risk Management (Continued)

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

## Note 11 - Pension Plans

### *Plan Description*

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

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

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

### *Benefits Provided*

#### *Municipal Employees' Retirement System*

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

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

The pension plan provides retirement, disability, and death benefits. Plan members are eligible for retirement at age 60 with 10 or more years of service, age 50 with 25 or more years of service, or the date at which the sum of age plus years of service equals 80 or more. The annual amount of benefits provided is calculated by total service times 2.25 percent of final average salary for employees hired before July 1, 2008, with 70 percent of base wages after annuity withdrawal for all employees.

Plan members are eligible for deferred retirement at 10 or more years of service. The benefit begins at age 60 and is computed as a regular retirement but is based on service and final average salary at the time of termination.

Plan members are eligible for duty disability retirement at any age or service requirements and in receipt of workers' compensation. Duty disability retirement benefits are computed as a regular benefit. The minimum benefit is 20 percent of final average salary. Upon termination of workers' compensation, additional service credit, to age 65, is granted and benefit is recomputed.

Plan members are eligible for nonduty disability retirement at 10 or more years of service, which is computed as a regular retirement.

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



June 30, 2021

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

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

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

**Policemen and Firemen Retirement System**

The pension plan provides retirement, disability, and death benefits. All groups are eligible for service retirement at the age of 50 with 25 or more years of service or age 60 regardless of service. For IAFF Local 1307 members hired before July 1, 2008, the annual benefit is calculated as 2.69 percent of final average compensation times first 25 years of service plus 1 percent of final average compensation times years of service in excess of 25 years, subject to a maximum annual benefit cap of \$80,000 after annuity withdrawal, and payable as straight life annuity. For IAFF Local 1307 members hired after July 1, 2008, the annual benefit is calculated the same as those hired before July 1, 2008 but is subject to a maximum annual benefit cap of \$70,000. For employees hired after July 1, 2008, there will be no annuity withdrawal. For both police (COA) and patrol hired before July 1, 2008, the annual benefits are calculated as 2.69 percent of final average compensation times the first 25 years of service plus 1 percent of final average compensation times years of service in excess of 25 years, subject to a maximum annual benefit cap of \$80,000 after annuity withdrawal. For members hired after July 1, 2008, the annual benefit is calculated the same as those hired before July 1, 2008, but the benefit is subject to a maximum annual benefit cap of \$70,000; however, FAC will not include sick time payout. For employees hired after July 1, 2008, there will be no annuity withdrawal. The current fire chief and public safety director are subject to a maximum annual benefit cap of \$89,447 after annuity withdrawal, payable as a straight life annuity.

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

All pension plan members are eligible for a death after retirement survivor's pension, which is payable to a surviving spouse, if any, upon the death of a retired member who was receiving a straight life pension that was effective July 1, 1975 or later. The spouse's pension equals 60 percent of the pension the retiree was receiving.

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

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

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

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



June 30, 2021

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

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

**Employees Covered by Benefit Terms**

The following members were covered by the benefit terms:

	Municipal Employees' Retirement System	Policemen and Firemen Retirement System
Date of member count	December 31, 2020	June 30, 2021
Inactive plan members or beneficiaries currently receiving benefits	84	100
Inactive plan members entitled to but not yet receiving benefits	5	3
Active plan members	35	63
Total employees covered by the plan	124	166

**Contributions**

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

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

For the year ended June 30, 2021, the average employee contribution rate was 10.0 percent of annual pay, and the City's average contribution rate was 52.44 percent of annual payroll for the MERS plan. For the year ended June 30, 2021, the Policemen and Firemen Retirement System's average employee contribution rate was 7.50 percent of annual pay, and the City's average contribution rate was 93.08 percent of annual payroll.

**Net Pension Liability**

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

	Municipal Employees' Retirement System	Policemen and Firemen Retirement System
Measurement date used for the City's net pension liability	December 31, 2020	June 30, 2021
Based on a comprehensive actuarial valuation as of	December 31, 2020	June 30, 2020

June 30, 2021

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

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

**Municipal Employees' Retirement System**

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

The plan's fiduciary net position represents 63.42 percent of the total pension liability.

**Policemen and Firemen Retirement System**

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

The plan's fiduciary net position represents 71.16 percent of the total pension liability.

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

For the year ended June 30, 2021, the City recognized pension expense of \$1,845,242 and \$3,344,117 from the Municipal Employees' Retirement System and the Policemen and Firemen Retirement System, respectively.



June 30, 2021

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

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

	Municipal Employees' Retirement System		Policemen and Firemen Retirement System	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 23,698	\$ -	\$ 1,362,824	\$ (76,031)
Changes in assumptions	658,203	-	3,675,570	-
Net difference between projected and actual earnings on pension plan investments	-	(782,505)	-	(5,056,766)
Employer contributions to the plan subsequent to the measurement date	509,605	-	-	-
Total	<u>\$ 1,191,506</u>	<u>\$ (782,505)</u>	<u>\$ 5,038,394</u>	<u>\$ (5,132,797)</u>

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

Years Ending June 30	Municipal Employees' Retirement System	Policemen and Firemen Retirement System
2022	\$ 522,274	\$ 559,980
2023	34,293	388,392
2024	(427,987)	(145,562)
2025	(229,184)	(1,211,115)
2026	-	313,902

**Actuarial Assumptions**

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

	Municipal Employees' Retirement System	Policemen and Firemen Retirement System
Inflation	2.50%	2.25%
Salary increases (including inflation)	3.00%	3.00%
Investment rate of return (net of investment expenses)	7.60%	7.00%
Mortality rates	Pub-2010; PubG-2010*	Pub-2010**

**\*Municipal Employees' Retirement System Mortality Rates**

Preretirement mortality:

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

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

Nondisabled retired plan members and beneficiaries:

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

Disabled retired plan members:

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

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

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

The actuarial assumptions used in the Municipal Employees' Retirement System December 31, 2020 valuation were based on the results of a five-year actuarial experience study from 2013 to 2018 dated February 14, 2020.

***\*\*Policemen and Firemen Retirement System Mortality Rates***

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

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

The actuarial assumptions used in the Policemen and Firemen Retirement System June 30, 2020 valuation were based on the results of an actuarial experience study dated February 11, 2021.

***Discount Rate***

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



June 30, 2021

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

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

	Municipal Employees' Retirement System	Policemen and Firemen Retirement System
Assumed investment rate of return	7.60%	7.00%
Are contributions expected to be sufficient to allow fiduciary net position to pay future benefits?	Yes	Yes
Discount rate used to measure the total pension liability	7.60%	7.00%

***Investment Rate of Return***

Best estimates of arithmetic real rates of return as of the December 31, 2019 MERS measurement date and June 30, 2020 Policemen and Firemen Retirement System measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

**Municipal Employees' Retirement System**

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	5.25 %
Global fixed income	20.00	1.25
Private equity	20.00	7.25

**Policemen and Firemen Retirement System**

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

June 30, 2021

**Note 11 - Pension Plans (Continued)*****Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liabilities of the City, calculated using the discount rate of 7.60 percent for MERS and using the discounted rate of 7.00 percent for the Policemen and Firemen Retirement System, as well as what the City's net pension liabilities would be if they were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rates:

	1 Percentage Point Decrease	Current Discount Rate	1 Percentage Point Increase
Net pension liability of the Municipal Employees' Retirement System	\$ 15,336,201	\$ 11,815,860	\$ 8,844,898
Net pension liability of the Policemen and Firemen Retirement System	31,826,939	23,098,273	15,747,017

***Pension Plan Fiduciary Net Position***

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

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

***Assumption Changes*****Municipal Employees' Retirement System**

A five-year experience study analyzing historical experience from 2013 through 2018 was completed in February 2020. The experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates. The net impact of these changes was an increase to the total pension liability.

**Policemen and Firemen Retirement System**

In the current year, the actuarial assumptions included adjustments (decreases) to the rates of inflation and salary increases. The investment rate of return was reduced from 7.25 percent in the prior year to 7.00 percent in the current year. Additionally, mortality tables were adjusted from the RP-2014 tables to the Pub-2010 tables. The net impact of these changes was an increase to the total pension liability.



June 30, 2021

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

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

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

***Rate of Return***

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

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

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

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

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

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

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

	Required Reserve	Amount Funded
Retiree reserve	\$ 50,232,852	\$ 50,232,852
Employee reserve	3,597,527	3,597,527
Employer reserve	-	3,166,592
Total	\$ 53,830,379	\$ 56,996,971

June 30, 2021

**Note 12 - Other Postemployment Benefit Plans*****Plan Description***

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

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

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

***Benefits Provided***

The Municipal Employees' Retiree Healthcare System and the Policemen and Firemen Retiree Healthcare System provide health care, dental, and vision benefits for retirees and their spouses who are 60 years of age with 10 years of service or are 50 years of age with 25 years of service. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan. As of July 1, 2008 and July 1, 2018, the Municipal Employees' Retiree Healthcare System and the Policemen and Firemen Retiree Healthcare System were closed to new entrants, respectively.

***Employees Covered by Benefit Terms***

The following members were covered by the benefit terms:

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

***Contributions***

The Policemen and Firemen Retiree Healthcare System's funding policy is that the employer will make discretionary contributions. There are no long-term contracts for contributions to the plans. The plans have no legally required reserves. For the year ended June 30, 2021, the City contributed \$1,804,272 to the Policemen and Firemen Retiree Healthcare System. Plan members are not required to contribute to the plan.

The Municipal Employees' Retiree Healthcare System's retiree health care costs are paid by the City on a pay-as-you-go basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. In the current year, the City paid postemployment health care premiums of \$741,065, plus it contributed \$175,000 into a prefunded retiree health care fund, which is reported in these financial statements as a pension and other employee benefit trust fund type.



June 30, 2021

**Note 12 - Other Postemployment Benefit Plans (Continued)*****Net OPEB Liability***

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

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

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

***Municipal Employees' Retiree Healthcare System***

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

\*Note that the contributions and benefit payments include implicit benefit payments of \$94,027 that were calculated by the actuary. The net effect of the implicit benefit payments to the plan net position is zero.

The plan's fiduciary net position represents 9.73 percent of the total OPEB liability.

June 30, 2021

**Note 12 - Other Postemployment Benefit Plans (Continued)****Policemen and Firemen Retiree Healthcare System**

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

\*Note that the contributions and benefit payments include implicit benefit payments of \$285,624 that were calculated by the actuary. The net effect of the implicit benefit payments to the plan net position is zero.

The plan's fiduciary net position represents 4.72 percent of the total OPEB liability.

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$1,816,452 and \$3,652,378 from the Municipal Employees' Retiree Healthcare System and the Policemen and Firemen Retiree Healthcare System, respectively.

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

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



June 30, 2021

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

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

Years Ending June 30	Municipal Employees' Retiree Healthcare System	Policemen and Firemen Retiree Healthcare System
2022	\$ 647,970	\$ 944,704
2023	785,951	1,242,534
2024	12,970	1,948,864
2025	15,261	1,228,072
2026	-	-
Total	<u>\$ 1,462,152</u>	<u>\$ 5,364,174</u>

**Actuarial Assumptions**

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

	Municipal Employees' Retiree Healthcare System	Policemen and Firemen Retiree Healthcare System
Inflation	2.75%	2.75%
Salary increases (including inflation)	3.00%	3.00%
Investment rate of return (net of investment expenses)	1.92%	1.92%
Health care cost trend rate	8.25% graded down to 3.5% after 10 years	8.25% graded down to 3.5% after 10 years
Mortality rates	A version of Pub-2010 with Generational mortality improvement using scale MP-2019 (based on pension experience study issued February 14, 2020)	Pub-2010*

**\*Policemen and Firemen Retiree Healthcare System Mortality rates**

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

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

95 percent of preretirement deaths are assumed to be non-duty related, and 5 percent are assumed to be duty related.

June 30, 2021

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

The discount rate used to measure the total OPEB liability was 1.92 percent for both the Municipal Employees' Retiree Healthcare System and the Policemen and Firemen Retiree Healthcare System. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contributions rates.

The discount rate is the same as the municipal bond rate, which was 1.92 percent. The source of that bond rate was the tax-exempt municipal bond rate based on an index of 20-year general obligation with an average of AA credit rating. No projections of the ability of the fund to meet benefit obligations in the future were made since the discount rate is equivalent to the municipal bond rate. The discount rate of 1.92 percent was applied to all remaining periods.

***Investment Rate of Return***

The investment rate of return was assumed to be 1.92 percent, net of OPEB plan investment expense, including inflation.

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

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

The following presents the net OPEB liability of the City for each system, calculated using the discount rate of 1.92 percent, as well as what the City's net OPEB liability for each system would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

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

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

The following presents the net OPEB liability of the City for each system, calculated using the health care cost trend rate of 8.25 percent, as well as what the City's net OPEB liability for each system would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

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



June 30, 2021

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

### *OPEB Plan Fiduciary Net Position*

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

### *Assumption Changes*

Note that the discount rate and investment rate of return used to measure the net OPEB liability decreased in the current year to 1.92 percent. The net OPEB liability measured at June 30, 2020 was calculated using a discount rate and investment rate of return of 2.45 percent. This decrease is due to the tax-exempt municipal bond rate, which is based on an index of 20-year general obligation bonds with an average AA credit rating, decreasing between June 30, 2020 and June 30, 2021.

As a result of these assumption changes, the total OPEB liability increased by \$3,069,319 and \$7,290,191 for the Municipal Employees' Retiree Healthcare System and the Policemen and Firemen Retiree Healthcare System, respectively.

## Note 13 - Joint Ventures

### *Southgate-Wyandotte Drainage District*

The City is a member of the Southgate-Wyandotte Drainage District, a joint venture with the City of Wyandotte, Michigan that provides drainage services to the residents of Southgate and Wyandotte. The venture is administered by the Wayne County Drainage Board. The City paid \$565,885 to Wayne County, Michigan (the "County") during the year for operation and maintenance.

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

### *Downriver Utility Wastewater Authority*

The City, along with 12 other communities, jointly participates in the Downriver Utility Wastewater Authority. Previously, this sewer system was operated by Wayne County, Michigan and was known as the Downriver Sewage Disposal System (the "System"). On September 27, 2018, the System transferred from the County of Wayne, Michigan to the Downriver Utility Wastewater Authority. DUWA is a consortium formed in 2010 under Public Act 233 of 1955 to acquire and operate the sewer system. The same 12 communities that originally jointly participated in the System are now the members of DUWA and are effectively owners of the authority. The System's assets and all of the System's debt except for the judgment levy debt were transferred to DUWA. The judgment levy debt from the System still remains as an obligation of the County and will continue to be paid from the communities to the County.

The City's share of capital assets, restricted cash (for debt service), and related debt is recorded in the Water and Sewer Fund. For DUWA, the City paid \$1,507,673 for operations of the authority and paid \$737,130 for debt service. For the judgment levy debt, the City paid \$294,045 to the County for debt service. The City is not aware of any circumstances that would cause additional benefit or burden to the participating governments in the near future. Financial statements for the joint venture, DUWA, can be obtained from the administrative offices at 25605 Northline Road, Taylor, MI 48180.

June 30, 2021

**Note 14 - Tax Abatements**

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

For the fiscal year ended June 30, 2021, the City abated \$66,129 of taxes under these programs. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

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



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## Required Supplemental Information

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Required Supplemental Information  
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2021

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



City of Southgate, Michigan

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

Year Ended June 30, 2021

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

## City of Southgate, Michigan

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

Year Ended June 30, 2021

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



**City of Southgate, Michigan**

Required Supplemental Information

Budgetary Comparison Schedule - Major Special Revenue Funds (Continued)

Southgate-Wyandotte Operation and Maintenance Fund

Year Ended June 30, 2021

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

# City of Southgate, Michigan

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

	Last Eight Fiscal Years*							
	2021	2020	2019	2018	2017	2016**	2015	2014*
<b>Total Pension Liability</b>								
Service cost	\$ 258,060	\$ 275,494	\$ 272,690	\$ 283,916	\$ 288,352	\$ 288,542	\$ 441,569	\$ 452,058
Interest	2,267,117	2,296,014	2,245,075	2,257,931	2,239,130	1,064,707	2,160,600	2,132,871
Differences between expected and actual experience	47,392	116,296	400,047	(498,621)	(166,169)	-	(269,570)	-
Changes in assumptions	1,316,405	910,636	-	-	-	(2,921,481)	1,959,499	-
Benefit payments, including refunds	(2,585,748)	(2,333,061)	(2,231,922)	(2,164,694)	(2,083,502)	(1,349,679)	(2,149,366)	(2,264,831)
<b>Net Change in Total Pension Liability</b>	1,303,226	1,265,379	685,890	(121,468)	277,811	(2,917,911)	2,142,732	319,898
<b>Total Pension Liability - Beginning of year</b>	30,994,328	29,728,949	29,043,059	29,164,527	28,886,716	31,804,627	29,661,895	29,341,997
<b>Total Pension Liability - End of year</b>	<b>\$ 32,297,554</b>	<b>\$ 30,994,328</b>	<b>\$ 29,728,949</b>	<b>\$ 29,043,059</b>	<b>\$ 29,164,527</b>	<b>\$ 28,886,716</b>	<b>\$ 31,804,627</b>	<b>\$ 29,661,895</b>
<b>Plan Fiduciary Net Position</b>								
Contributions - Employer	\$ 1,048,404	\$ 903,422	\$ 896,716	\$ 843,022	\$ 973,239	\$ 569,014	\$ 969,014	\$ 882,147
Contributions - Member	219,694	226,881	239,965	234,732	237,005	135,680	286,249	305,790
Net investment income (loss)	2,559,512	2,394,428	(755,459)	2,422,144	1,976,870	(311,386)	(284,404)	2,418,590
Administrative expenses	(37,808)	(41,190)	(38,188)	(38,445)	(39,037)	(71,346)	-	-
Benefit payments, including refunds	(2,585,748)	(2,333,061)	(2,231,922)	(2,164,694)	(2,083,502)	(1,349,679)	(2,149,366)	(2,264,831)
<b>Net Change in Plan Fiduciary Net Position</b>	1,204,054	1,150,480	(1,888,888)	1,296,759	1,064,575	(1,027,717)	(1,178,507)	1,341,696
<b>Plan Fiduciary Net Position - Beginning of year</b>	19,277,640	18,127,160	20,016,048	18,719,289	17,654,714	18,682,431	19,860,938	18,519,242
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 20,481,694</b>	<b>\$ 19,277,640</b>	<b>\$ 18,127,160</b>	<b>\$ 20,016,048</b>	<b>\$ 18,719,289</b>	<b>\$ 17,654,714</b>	<b>\$ 18,682,431</b>	<b>\$ 19,860,938</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 11,815,860</b>	<b>\$ 11,716,688</b>	<b>\$ 11,601,789</b>	<b>\$ 9,027,011</b>	<b>\$ 10,445,238</b>	<b>\$ 11,232,002</b>	<b>\$ 13,122,196</b>	<b>\$ 9,800,957</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	63.42 %	62.20 %	60.97 %	68.92 %	64.19 %	61.12 %	58.74 %	66.96 %
<b>Covered Payroll</b>	\$ 2,104,892	\$ 2,245,264	\$ 2,216,994	\$ 2,362,882	\$ 2,350,053	\$ 2,351,603	\$ 2,380,521	\$ 2,501,902

See notes to required supplemental information.



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

	Last Eight Fiscal Years*							
City's Net Pension Liability as a Percentage of Covered Payroll	561.35 %	521.84 %	523.31 %	382.03 %	444.47 %	477.63 %	551.23 %	391.74 %
*GASB 67 was implemented for FYE June 30, 2014 and does not require retroactive implementation. Data will be added as information is available until 10 years of such information is available.								
**In FYE June 30, 2016, the City transferred the Municipal Employees' Retirement System Trust, a single-employer plan, into the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer plan. As a result, the measurement date of the liability changed from a June year end to a December year end to match the MERS plan year end.								

Required Supplemental Information  
Schedule of Pension Contributions  
Municipal Employees' Retirement System

	Last Ten Fiscal Years										Years Ended June 30
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	
Actuarially determined contribution	\$ 932,724	\$ 784,296	\$ 764,568	\$ 711,156	\$ 854,841	\$ 413,647	\$ 969,014	\$ 882,147	\$ 875,326	\$ 680,346	
Contributions in relation to the actuarially determined contribution	1,103,761	924,766	900,420	851,429	854,841	569,014	969,014	882,147	891,193	680,346	
<b>Contribution Excess</b>	<b>\$ 171,037</b>	<b>\$ 140,470</b>	<b>\$ 135,852</b>	<b>\$ 140,273</b>	<b>\$ -</b>	<b>\$ 155,367</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,867</b>	<b>\$ -</b>	
<b>Covered Payroll</b>	<b>\$ 2,104,892</b>	<b>\$ 2,245,264</b>	<b>\$ 2,216,994</b>	<b>\$ 2,362,882</b>	<b>\$ 2,350,053</b>	<b>\$ 2,351,603</b>	<b>\$ 2,380,521</b>	<b>\$ 2,501,902</b>	<b>\$ 2,603,000</b>	<b>\$ 2,995,000</b>	
<b>Contributions as a Percentage of Covered Payroll</b>	<b>52.44 %</b>	<b>40.61 %</b>	<b>40.61 %</b>	<b>36.03 %</b>	<b>36.38 %</b>	<b>24.20 %</b>	<b>40.71 %</b>	<b>35.26 %</b>	<b>34.24 %</b>	<b>22.72 %</b>	

Notes to Schedule of Pension Contributions - Municipal Employees' Retirement System

Actuarial valuation information relative to the determination of contributions:

Valuation date

The actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required. Below are the methods and assumptions used from the December 31, 2019 valuation report.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay - Closed
Remaining amortization period	19 years
Asset valuation method	5-year smoothed market
Inflation	2.5 percent
Salary increase	3.00 percent - Including inflation
Investment rate of return	7.35 percent
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	50 percent male - 50 percent female blend of the RP-2014 Health Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables
Other information	None



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

	Last Eight Fiscal Years*							
	2021	2020	2019	2018	2017	2016	2015	2014*
<b>Total Pension Liability</b>								
Service cost	\$ 986,507	\$ 1,015,491	\$ 1,016,409	\$ 984,577	\$ 979,925	\$ 1,005,271	\$ 1,093,031	\$ 1,058,512
Interest	5,308,340	5,228,762	5,166,786	5,101,773	4,979,248	4,915,376	4,844,541	4,771,821
Changes in benefit terms	141,617	75,000	-	-	-	(993,322)	-	-
Differences between expected and actual experience	413,311	1,191,299	421,080	255,597	(710,257)	1,155,057	273,660	-
Changes in assumptions	3,994,255	-	-	-	3,954,073	-	-	-
Benefit payments, including refunds	(6,948,017)	(5,848,852)	(5,649,110)	(5,273,158)	(5,178,850)	(5,257,307)	(5,188,467)	(4,567,523)
<b>Net Change in Total Pension Liability</b>	3,896,013	1,661,700	955,165	1,068,789	4,024,139	825,075	1,022,765	1,262,810
<b>Total Pension Liability - Beginning of year</b>	76,199,231	74,537,531	73,582,366	72,513,577	68,489,438	67,664,363	66,641,598	65,378,788
<b>Total Pension Liability - End of year</b>	<b>\$ 80,095,244</b>	<b>\$ 76,199,231</b>	<b>\$ 74,537,531</b>	<b>\$ 73,582,366</b>	<b>\$ 72,513,577</b>	<b>\$ 68,489,438</b>	<b>\$ 67,664,363</b>	<b>\$ 66,641,598</b>
<b>Plan Fiduciary Net Position</b>								
Contributions - Employer	\$ 4,639,422	\$ 4,999,995	\$ 4,328,200	\$ 4,321,173	\$ 3,244,840	\$ 2,580,266	\$ 2,604,211	\$ 2,649,082
Contributions - Member	382,803	368,454	369,558	327,018	377,556	337,603	331,809	359,953
Net investment income (loss)	14,060,595	(1,455,689)	988,564	4,156,120	5,173,828	(1,219,003)	(538,420)	6,412,966
Benefit payments, including refunds	(6,948,017)	(5,848,852)	(5,649,110)	(5,273,158)	(5,178,850)	(5,257,307)	(5,188,467)	(4,567,523)
Other	-	-	-	-	61,473	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	12,134,803	(1,937,092)	17,212	3,531,153	3,678,847	(3,558,441)	(2,790,867)	4,854,478
<b>Plan Fiduciary Net Position - Beginning of year</b>	44,862,168	46,799,260	46,782,048	43,250,895	39,572,048	43,130,489	45,921,356	41,066,878
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 56,996,971</b>	<b>\$ 44,862,168</b>	<b>\$ 46,799,260</b>	<b>\$ 46,782,048</b>	<b>\$ 43,250,895</b>	<b>\$ 39,572,048</b>	<b>\$ 43,130,489</b>	<b>\$ 45,921,356</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 23,098,273</b>	<b>\$ 31,337,063</b>	<b>\$ 27,738,271</b>	<b>\$ 26,800,318</b>	<b>\$ 29,262,682</b>	<b>\$ 28,917,390</b>	<b>\$ 24,533,874</b>	<b>\$ 20,720,242</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	71.16 %	58.87 %	62.79 %	63.58 %	59.65 %	57.78 %	63.74 %	68.91 %
<b>Covered Payroll</b>	\$ 4,984,183	\$ 5,266,008	\$ 5,105,443	\$ 4,841,046	\$ 4,745,297	\$ 4,633,108	\$ 5,047,949	\$ 4,708,305

See notes to required supplemental information.

**City of Southgate, Michigan**

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

	Last Eight Fiscal Years*							
City's Net Pension Liability as a Percentage of Covered Payroll	463.43 %	595.08 %	543.31 %	553.61 %	616.67 %	624.15 %	486.02 %	440.08 %

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



Required Supplemental Information  
Schedule of Pension Contributions  
Policemen and Firemen Retirement System

	Last Ten Fiscal Years Years Ended June 30									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 4,399,029	\$ 4,071,175	\$ 4,231,511	\$ 3,723,964	\$ 2,940,014	\$ 2,580,266	\$ 2,604,211	\$ 2,649,082	\$ 2,358,835	\$ 1,813,622
Contributions in relation to the actuarially determined contribution	4,639,422	4,998,995	4,328,200	4,321,172	3,244,840	2,580,266	2,604,211	2,649,082	2,374,165	1,579,123
<b>Contribution Excess (Deficiency)</b>	<b>\$ 240,393</b>	<b>\$ 927,820</b>	<b>\$ 96,689</b>	<b>\$ 597,208</b>	<b>\$ 304,826</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,330</b>	<b>\$ (234,499)</b>
<b>Covered Payroll</b>	\$ 4,984,183	\$ 5,266,008	\$ 5,105,443	\$ 4,841,046	\$ 4,745,297	\$ 4,633,108	\$ 5,047,949	\$ 4,708,305	\$ 4,966,288	\$ 4,889,791
<b>Contributions as a Percentage of Covered Payroll</b>	93.08 %	94.93 %	84.78 %	89.26 %	70.11 %	55.69 %	51.59 %	58.80 %	47.81 %	32.29 %

Notes to Schedule of Pension Contributions - Policemen and Firemen Retirement System

Actuarial valuation information relative to the determination of contributions:

Valuation date The actuarially determined contribution rates are calculated as of June 30 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age actuarial cost method
Amortization method	Level percentage of payroll - Closed
Remaining amortization period	8 years
Asset valuation method	4-year smoothed market
Inflation	2.75 percent
Salary increase	3.6 - 6.4 percent - Including inflation
Investment rate of return	7.25 percent (net of investment and administrative expenses)
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2014 Generational Mortality Tables
Other information	None

## City of Southgate, Michigan

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

	Last Eight Fiscal Years*							
	Years Ended June 30							
	2021	2020	2019	2018	2017	2016	2015	2014*

Annual money-weighted rate of  
return - Net of investment  
expense

33.58 %      (3.28)%      1.38 %      11.97 %      12.62 %      (3.04)%      (1.20)%      15.76 %

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



City of Southgate, Michigan

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

	Last Five Fiscal Years*				
	2021	2020	2019	2018	2017*
<b>Total OPEB Liability</b>					
Service cost	\$ 405,046	\$ 503,825	\$ 615,761	\$ 651,218	\$ 620,007
Interest	794,021	1,086,320	1,145,258	1,283,324	1,256,504
Changes in benefit terms	-	-	(207,212)	-	-
Differences between expected and actual experience	(16,797)	(8,065,161)	(50,687)	(5,151,351)	(215,429)
Changes in assumptions	3,069,319	5,086,775	2,519,868	(291,302)	-
Benefit payments, including refunds	(835,092)	(884,979)	(909,576)	(861,674)	(984,952)
<b>Net Change in Total OPEB Liability</b>	<b>3,416,497</b>	<b>(2,273,220)</b>	<b>3,113,412</b>	<b>(4,369,785)</b>	<b>676,130</b>
<b>Total OPEB Liability - Beginning of year</b>	<b>32,624,052</b>	<b>34,897,272</b>	<b>31,783,860</b>	<b>36,153,645</b>	<b>35,477,515</b>
<b>Total OPEB Liability - End of year</b>	<b>\$ 36,040,549</b>	<b>\$ 32,624,052</b>	<b>\$ 34,897,272</b>	<b>\$ 31,783,860</b>	<b>\$ 36,153,645</b>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 1,011,214	\$ 1,043,979	\$ 1,098,233	\$ 936,674	\$ 1,059,952
Net investment income	7,460	110,135	88,403	1,523	14,189
Benefit payments, including refunds	(835,092)	(884,979)	(909,576)	(861,674)	(984,952)
Other	(16,093)	(6,750)	(12,625)	(3,500)	(7,375)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>167,489</b>	<b>262,385</b>	<b>264,435</b>	<b>73,023</b>	<b>81,814</b>
<b>Plan Fiduciary Net Position - Beginning of year</b>	<b>3,338,944</b>	<b>3,076,559</b>	<b>2,812,124</b>	<b>2,739,101</b>	<b>2,657,287</b>
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 3,506,433</b>	<b>\$ 3,338,944</b>	<b>\$ 3,076,559</b>	<b>\$ 2,812,124</b>	<b>\$ 2,739,101</b>
<b>Net OPEB Liability - Ending</b>	<b>\$ 32,534,116</b>	<b>\$ 29,285,108</b>	<b>\$ 31,820,713</b>	<b>\$ 28,971,736</b>	<b>\$ 33,414,544</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	<b>9.73 %</b>	<b>10.23 %</b>	<b>8.82 %</b>	<b>8.85 %</b>	<b>7.58 %</b>
<b>Covered-employee Payroll</b>	<b>\$ 2,040,647</b>	<b>\$ 2,262,000</b>	<b>\$ 2,471,693</b>	<b>\$ 2,380,737</b>	<b>\$ 2,387,488</b>
<b>Net OPEB Liability as a Percentage of Covered-employee Payroll</b>	<b>1,594.30 %</b>	<b>1,294.66 %</b>	<b>1,287.41 %</b>	<b>1,216.92 %</b>	<b>1,399.57 %</b>

\*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 Contributions  
Municipal Employees' Retiree Healthcare System

	Last Ten Fiscal Years									
	Years Ended June 30									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 2,160,560	\$ 2,696,758	\$ 2,722,631	\$ 2,694,711	\$ 2,695,949	\$ 2,762,035	\$ 2,757,526	\$ 2,426,703	\$ 2,427,465	\$ 2,368,796
Contributions in relation to the actuarially determined contribution	917,187	943,016	1,009,388	865,328	1,059,952	1,169,526	1,144,813	1,125,097	1,038,778	914,088
<b>Contribution Deficiency</b>	<b>\$ (1,243,373)</b>	<b>\$ (1,753,742)</b>	<b>\$ (1,713,243)</b>	<b>\$ (1,829,383)</b>	<b>\$ (1,635,997)</b>	<b>\$ (1,592,509)</b>	<b>\$ (1,612,713)</b>	<b>\$ (1,301,606)</b>	<b>\$ (1,388,687)</b>	<b>\$ (1,454,708)</b>
<b>Covered-employee Payroll</b>	<b>\$ 2,040,647</b>	<b>\$ 2,262,000</b>	<b>\$ 2,471,693</b>	<b>\$ 2,380,737</b>	<b>\$ 2,387,488</b>	<b>\$ 2,351,603</b>	<b>\$ 2,380,521</b>	<b>\$ 2,501,902</b>	<b>\$ 2,603,000</b>	<b>\$ 2,995,000</b>
<b>Contributions as a Percentage of Covered-employee Payroll</b>	<b>44.95 %</b>	<b>41.69 %</b>	<b>40.84 %</b>	<b>36.35 %</b>	<b>44.40 %</b>	<b>49.73 %</b>	<b>48.09 %</b>	<b>44.97 %</b>	<b>39.91 %</b>	<b>30.52 %</b>

**Notes to Schedule of Contributions**

Actuarial valuation information relative to the determination of contributions:

Valuation date

Actuarially determined contribution rates are calculated as of June 30, one year prior to the beginning of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar - Closed
Remaining amortization period	18 years
Asset valuation method	Equal to market value of assets
Inflation	2.75 percent
Health care cost trend rates	8.25 percent trend for the first year, then gradually decreasing to an ultimate trend of 3.50 percent
Salary increase	3.00 to 9.70 percent
Investment rate of return	3.50 percent
Retirement age	65 years of age
Mortality	A version of Pub-2010 with Generational mortality improvement using scale MP-2019
Other information	(based on pension experience study issued February 14, 2020)
	None



## City of Southgate, Michigan

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

	Last Five Fiscal Years*				
	Years Ended June 30				
	2021	2020	2019	2018	2017*
Annual money-weighted rate of return - Net of investment expense	0.22 %	3.51 %	3.10 %	0.06 %	12.38 %

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

City of Southgate, Michigan

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

	Last Five Fiscal Years*				
	2021	2020	2019	2018	2017*
<b>Total OPEB Liability</b>					
Service cost	\$ 1,356,976	\$ 1,002,406	\$ 1,424,070	\$ 1,409,376	\$ 1,375,918
Interest	1,408,479	1,821,354	1,910,366	2,061,757	2,007,629
Changes in benefit terms	-	-	(453,321)	-	-
Differences between expected and actual experience	277,494	(10,464,864)	365,270	(6,193,973)	(31,408)
Changes in assumptions	7,290,191	8,752,282	4,360,400	(495,961)	-
Benefit payments, including refunds	(1,974,953)	(2,004,504)	(1,952,040)	(1,909,038)	(1,787,754)
<b>Net Change in Total OPEB Liability</b>	<b>8,358,187</b>	<b>(893,326)</b>	<b>5,654,745</b>	<b>(5,127,839)</b>	<b>1,564,385</b>
<b>Total OPEB Liability - Beginning of year</b>	<b>57,797,947</b>	<b>58,691,273</b>	<b>53,036,528</b>	<b>58,164,367</b>	<b>56,599,982</b>
<b>Total OPEB Liability - End of year</b>	<b>\$ 66,156,134</b>	<b>\$ 57,797,947</b>	<b>\$ 58,691,273</b>	<b>\$ 53,036,528</b>	<b>\$ 58,164,367</b>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 2,089,896	\$ 2,433,925	\$ 2,334,678	\$ 2,389,916	\$ 2,045,006
Net investment income	430	8,776	9,827	6,409	3,313
Administrative expenses	(17,549)	(9,249)	-	-	-
Benefit payments, including refunds	(1,974,953)	(2,004,504)	(1,952,040)	(1,909,038)	(1,787,754)
Other	-	-	(12,624)	(3,500)	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>97,824</b>	<b>428,948</b>	<b>379,841</b>	<b>483,787</b>	<b>260,565</b>
<b>Plan Fiduciary Net Position - Beginning of year</b>	<b>3,025,981</b>	<b>2,597,033</b>	<b>2,217,192</b>	<b>1,733,405</b>	<b>1,472,840</b>
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 3,123,805</b>	<b>\$ 3,025,981</b>	<b>\$ 2,597,033</b>	<b>\$ 2,217,192</b>	<b>\$ 1,733,405</b>
<b>Net OPEB Liability - Ending</b>	<b>\$ 63,032,329</b>	<b>\$ 54,771,966</b>	<b>\$ 56,094,240</b>	<b>\$ 50,819,336</b>	<b>\$ 56,430,962</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	<b>4.72 %</b>	<b>5.24 %</b>	<b>4.42 %</b>	<b>4.18 %</b>	<b>2.98 %</b>
<b>Covered-employee Payroll</b>	<b>\$ 4,703,250</b>	<b>\$ 5,180,677</b>	<b>\$ 5,074,234</b>	<b>\$ 4,918,780</b>	<b>\$ 5,051,311</b>
<b>Net OPEB Liability as a Percentage of Covered-employee Payroll</b>	<b>1,340.19 %</b>	<b>1,057.24 %</b>	<b>1,105.47 %</b>	<b>1,033.17 %</b>	<b>1,117.15 %</b>

\*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 Contributions  
Policemen and Firemen Retiree Healthcare System

**Last Ten Fiscal Years  
Years Ended June 30**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 3,635,985	\$ 4,343,059	\$ 4,302,581	\$ 3,174,362	\$ 3,125,869	\$ 2,738,480	\$ 2,668,891	\$ 2,411,044	\$ 2,350,185	\$ 2,348,689	\$ 2,287,952	\$ 2,651,134	\$ 2,536,970
Contributions in relation to the actuarially determined contribution	1,804,272	2,142,399	2,036,800	2,123,403	2,045,006	1,775,195	1,806,153	1,764,000	1,816,366	1,556,376	1,336,576	1,275,156	1,369,147
<b>Contribution Deficiency</b>	<b><u>\$ (1,831,713)</u></b>	<b><u>\$ (2,200,660)</u></b>	<b><u>\$ (2,265,781)</u></b>	<b><u>\$ (1,050,959)</u></b>	<b><u>\$ (1,080,863)</u></b>	<b><u>\$ (963,285)</u></b>	<b><u>\$ (862,738)</u></b>	<b><u>\$ (647,044)</u></b>	<b><u>\$ (533,819)</u></b>	<b><u>\$ (792,313)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>Covered-employee Payroll</b>	<b>\$ 4,703,250</b>	<b>\$ 5,180,677</b>	<b>\$ 5,074,234</b>	<b>\$ 4,918,780</b>	<b>\$ 5,051,311</b>	<b>\$ 5,047,949</b>	<b>\$ 4,708,305</b>	<b>\$ 4,966,288</b>	<b>\$ 4,889,791</b>	<b>\$ 4,922,456</b>	<b>\$ 4,884,554</b>	<b>\$ 5,759,174</b>	<b>\$ 5,438,968</b>
<b>Contributions as a Percentage of Covered-employee Payroll</b>	<b>38.36 %</b>	<b>41.35 %</b>	<b>40.14 %</b>	<b>43.17 %</b>	<b>40.48 %</b>	<b>35.17 %</b>	<b>38.36 %</b>	<b>35.52 %</b>	<b>37.15 %</b>	<b>31.62 %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>

**Notes to Schedule of Contributions**

Actuarial valuation information relative to the determination of contributions:

Valuation date

Actuarially determined contribution rates are calculated as of June 30, one year prior to the beginning of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Remaining amortization period	27 years
Asset valuation method	Equal to market value of assets
Inflation	2.75 percent
Health care cost trend rates	8.25 percent trend for the first year, then gradually decreasing to an ultimate trend of 3.50 percent
Salary increase	3.50 - 6.40 percent
Investment rate of return	3.50 percent
Retirement age	60 years of age
Mortality	A version of Pub-2010 with Generational mortality improvement using scale MP-2019
Other information	(based on pension experience study issued February 14, 2020)
	None

## City of Southgate, Michigan

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

	Last Five Fiscal Years*				
	Years Ended June 30				
	2021	2020	2019	2018	2017*
Annual money-weighted rate of return - Net of investment expense	(4.19)%	0.31 %	0.42 %	(0.33)%	18.39 %

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



**Budgetary Information**

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

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

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

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

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

Budget appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2020 has not been calculated. During the current year, the budget was amended in a legally permissible manner. A comparison of the budget with statements of actual revenue and expenditures, including budget variances, for the General Fund is presented as required supplemental information.

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

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

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

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

June 30, 2021

***Excess of Expenditures Over Appropriated Funds***

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

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

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



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## Other Supplemental Information

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## City of Southgate, Michigan

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



Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds

**June 30, 2021**

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

## City of Southgate, Michigan

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



Other Supplemental Information

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2021

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

Other Supplemental Information  
Combining Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2021

	Pension and Other Employee Benefit Trust Funds				Custodial Funds		
	Policemen and Firemen Retirement System	Municipal Employees' Retiree Healthcare System	Act 345 Health Insurance	Senior Citizens' Trust	Tax Collection	Total Fiduciary Funds	
<b>Assets</b>							
Cash and cash equivalents	\$ 533,349	\$ 1,214,191	\$ 3,005,291	\$ 54,119	\$ 159,546	\$ 4,966,496	
Investments:		2,292,242	-	-	-	58,755,846	
Certificates of deposit	-					2,292,242	
U.S. government securities	1,765,918	-	-	-	-	1,765,918	
Stocks and mutual funds	46,128,809	-	-	-	-	46,128,809	
Mortgage-backed securities	20,037	-	-	-	-	20,037	
Alternative investments	8,548,840	-	-	-	-	8,548,840	
Receivables:							
Accrued interest receivable	18	-	-	-	-	18	
Other receivables	-	-	-	320	-	320	
Due from other governments	-	-	-	-	618,298	618,298	
Prepaid expenses and other assets	-	-	118,514	-	-	118,514	
Total assets	56,996,971	3,506,433	3,123,805	54,439	777,844	64,459,492	
<b>Liabilities - Due to other governmental units</b>	-	-	-	-	777,844	777,844	
<b>Net Position</b>							
Restricted:							
Pension	56,996,971	-	-	-	-	56,996,971	
Postemployment benefits other than pension	-	3,506,433	3,123,805	-	-	6,630,238	
Individuals, organizations, and other governments	-	-	-	54,439	-	54,439	
Total net position	\$ 56,996,971	\$ 3,506,433	\$ 3,123,805	\$ 54,439	\$ -	\$ 63,681,648	



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

Year Ended June 30, 2021

	Pension and Other Employee Benefit Trust Funds				Custodial Funds		Total Fiduciary Funds
	Policemen and Firemen Retirement System	Retiree Healthcare System	Act 345 Health Insurance	Senior Citizens' Trust	Tax Collection		
<b>Additions</b>							
Investment income (loss):							
Interest and dividends	\$ 1,107,599	\$ 28,712	\$ 435	-	\$ -	-	\$ 1,136,746
Net increase (decrease) in fair value of investments	13,189,328	(21,252)	-	-	-	-	13,168,076
Investment costs	(236,332)	-	-	-	-	-	(236,332)
Net investment income	14,060,595	7,460	435	-	-	-	14,068,490
Contributions:							
Employer	4,639,422	917,187	1,804,272	-	-	-	7,360,881
Employee	382,803	-	-	-	-	-	382,803
Total contributions	5,022,225	917,187	1,804,272	-	-	-	7,743,684
Property tax collections	-	-	-	-	-	26,400,233	26,400,233
Collections for benefit of Senior Citizens' Trust	-	-	-	64,424	-	-	64,424
Total additions	19,082,820	924,647	1,804,707	64,424	26,400,233	-	48,276,831
<b>Deductions</b>							
Benefit payments	6,948,017	757,158	1,706,883	-	-	-	9,412,058
Tax distributions to other governments	-	-	-	-	26,400,233	-	26,400,233
Disbursements from Senior Citizens' Trust	-	-	-	9,985	-	-	9,985
Total deductions	6,948,017	757,158	1,706,883	9,985	26,400,233	-	35,822,276
<b>Net Increase in Fiduciary Net Position</b>	12,134,803	167,489	97,824	54,439	-	-	12,454,555
<b>Net Position - Beginning of year</b>	44,862,168	3,338,944	3,025,981	-	-	-	51,227,093
<b>Net Position - End of year</b>	<b>\$ 56,996,971</b>	<b>\$ 3,506,433</b>	<b>\$ 3,123,805</b>	<b>\$ 54,439</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 63,681,648</b>

# EXHIBIT - 3



*City of  
Southgate  
Budget*

*2021 - 2022*

CITY OF SOUTHGATE

ELECTED OFFICIALS

ADMINISTRATIVE

JOSEPH G. KUSPA  
MAYOR

JANICE FERENCZ  
CITY CLERK

JAMES DALLOS  
CITY TREASURER

LEGISLATIVE

JOHN GRAZIANI  
PRESIDENT OF COUNCIL

MARK FARRAH

KAREN GEORGE

BILL COLOVOS

DALE W. ZAMECKI

PHILLIP RAUCH

CHRISTOPHER ROLLET

JUDICIAL

ELISABETH MULLINS  
DISTRICT JUDGE



CITY OF SOUTHGATE  
APPOINTED OFFICIALS

CITY ADMINISTRATOR	DUSTIN LENT
ASSISTANT CITY ADMINISTRATOR	DAVID ANGILERI
DIRECTOR OF PUBLIC SAFETY	JOSEPH MARSH
POLICE CHIEF	MARK MYDLARZ
FIRE CHIEF	MARC HATFIELD
ACTING PUBLIC SERVICES DIRECTOR	KEVIN ANDERSON
BUILDING INSPECTIONS DIRECTOR	<del>ROBERT CASANOVA</del> <b>TIM LEACH</b>
RECREATION DIRECTOR	JULIE GODDARD

CITY ATTORNEY  
ED ZELENAK

PROSECUTING ATTORNEY  
ED ZELENAK

ASSISTANT CITY / LABOR ATTORNEY  
BRANDON FOURNIER

CITY ENGINEER  
JOHN HENNESSEY

CITY AUDITORS  
PLANTE & MORAN

PLANNING CONSULTANTS  
CARLISLE WORTMAN

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101 CITY COUNCIL  
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EXECUTIVE  
ELECTIONS  
ASSESSOR  
CITY ATTORNEY  
CITY CLERK

110.43] MUNICIPAL EMPLOYEES CIVIL SERVICE COMMISSION  
POLICE & FIRE CIVIL SERVICE COMMISSION  
FINANCE  
TREASURER  
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POLICE  
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**JOSEPH G. KUSPA**  
*Mayor*

**JANICE M. FERENCZ**  
*City Clerk*

**JAMES E. DALLOS**  
*Treasurer*



## City of Southgate

**- CITY COUNCIL -**

**JOHN GRAZIANI**  
*Council Presiden*

**MARK FARRAH**

**KAREN E. GEORGE**

**BILL COLOVOS**

**DALE W. ZAMECKI**

**PHILLIP J. RAUCH**

**CHRISTOPHER P. ROLLET**

March 22, 2021

This spring marks the one year anniversary of the unforeseen and devastating Covid-19 pandemic. This public safety threat effected every aspect of our lives, including the financial stability of our municipality. All expected local revenues, from our 28<sup>th</sup> District Court to our Recreational programming, were severely impacted.

Fortunately, the City of Southgate reacted early and decisively to mitigate these shortfalls. We worked with each department to further reduce costs whenever possible. I would like to commend our employees for, once again, understanding and participating in these much needed adjustments.

In addition, my administrative team and I were in constant communication with our Federal, State and County officials to assure that the City of Southgate was prepared to apply for and receive any Covid-related assistance that was available. All of our applications were successful and we benefited greatly from these programs.

The City and our Downtown Development Authority were also actively relaying any pertinent Covid relief sources to our business community. It was very important to make sure that our businesses also had the opportunity to apply for any and all relief. And, in many cases, these grants and funding sources helped them to "weather the storm" through these past twelve months.

The 2020 Federal Cares Act and related funding opportunities amounted to over \$ 900,000 in assistance to our public safety departmental budgets and our fight against the Covid-19 pandemic.

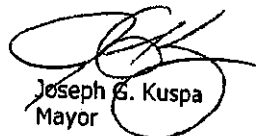
All through this process, our focus has remained on the safety our residents, our businesses and our dedicated employees who serve all of us.

I would also like to thank our City Council, City Treasurer and City Clerk for supporting our administrative initiatives and State of Emergency declarations. These collaborative efforts allowed us to be more agile, protect our volunteer commissioners and immediately address any developing public safety issues.

The attached Fiscal Year 2021-2022 budget reflects the difficult times that we continue to face. It is certainly hoped that the impact of the Covid crisis is waning. But, many pre-Covid funding realities remain. We continue to deal with reductions in our major revenue sources coupled with seemingly endless increases to our fixed and primary expenses. This very real situation will remain a continuous challenge until our current municipal funding model is adequately addressed at the State level.

Even with these consistent obstacles, I look forward to continuing our work to ensure that Southgate remains on a sound financial footing.

Sincerely,

  
Joseph G. Kuspa  
Mayor

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# City of Southgate

## Regular City Council Meeting

### May 19, 2021

A Regular Meeting of the Council of the City of Southgate was held on Wednesday, May 19, 2021 and was called to order at 7:00 PM by Council President John Graziani (**DUE TO COVID-19 VIRUS, THIS MEETING WAS HELD VIA ZOOM, PURSUANT TO WAYNE COUNTY AND LOCAL STATE OF EMERGENCY.**)

This meeting began with the Pledge of Allegiance, followed by roll call.

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Present: Bill Colovos (Southgate), Karen George (Southgate), John Graziani (Southgate), Mark Farrah (Southgate), Phil Rauch (Southgate) Chris Rollet (Southgate), Dale Zamecki (Southgate)

Absent:

Also Present: Mayor Joseph G. Kuspa, City Administrator Dustin Lent, City Attorney Brandon Fournier, Assistant City Administrator/Finance Director David Angileri, City Treasurer James Dallos, City Clerk Janice Ferencz, City Engineer John Hennessey, Public Safety Director Joe Marsh, Police Chief Mark Mydlarz, Fire Chief Marc Hatfield, Acting DPS Director Kevin Anderson, Building Inspections Director Bob Casanova and Parks & Recreation Director Julie Goddard.

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#### Minutes:

Moved by Colovos, supported George, RESOLVED, that the minutes of the City Council Work Study Session dated May 5, 2021 be approved as presented. Carried unanimously.

Moved by Rauch, supported by Zamecki, RESOLVED, that the minutes of the Regular City Council Meeting dated May 5, 2021 be approved as presented. Carried unanimously.

Moved by Zamecki, supported by Rauch, RESOLVED, that the Public Hearing Proposed Water/Sewer minutes dated May 5, 2021 be approved as presented. Carried unanimously.

Moved by George, supported by Zamecki, RESOLVED, that the Public Hearing Southgate-Wyandotte Drainage District minutes dated May 5, 2021 be approved as presented. Carried unanimously.

Moved by Rauch, supported by George, RESOLVED, that the Public Hearing Mayor's Proposed Budget minutes dated May 5, 2021 be approved as presented. Carried unanimously.

#### Communications "A":

Memo from ACA/Finance Director: Re: Mayor's 2021/2022 Proposed Budget moved by Farrah, supported by Rauch, RESOLVED THAT the Southgate City Council hereby approves the proposed concurs with the recommendation of Administration and hereby authorizes a 1% Administrative Fee be established as part of the FY 2021/2022 Budget; and, FURTHER BE IT RESOLVED, authorization that the following Millage Rates be levied for the 2021/2022 Fiscal year Budget:

General Operating	10.1022
Rubbish	2.4242
Act 345 Retirement	10.3360
Library	.8800
Parks & Rec of 2017	0.9966
Act 359 of 1925	0.0650
Roads	<u>1.9268</u>

Total Summer Levy 26.7308



## Regular City Council Meeting

### May 19, 2021

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WHEREAS, the Mayor's proposed budget for fiscal year 2021/2022 was submitted on March 26, 2021 to the City Council of Southgate and a copy thereof filed with the City Clerk's Office for Public Review; and,

WHEREAS, on May 5, 2021 the City Council of Southgate held a public hearing on the proposed budget for fiscal year 2021/2022; and,

WHEREAS, THE City Council, based on a recommendation from the Mayor, established the tax rates for General Fund operations and indebtedness.

NOW, THEREFORE, BE IT RESOLVED, pursuant to Article 5, Section 97, of the City of Southgate Charter that the City Council of Southgate hereby approves the fiscal year 2021/2022 operating budget by activity, as presented by the Mayor and revised by Council and implemented through the following policies and specifications as the official budget for the City of Southgate for the fiscal year beginning July 1, 2021.

#### 1. ADOPTION BY FUND, AND ACTIVITY WITHIN EACH FUND

The budget is hereby adopted by fund and department within each fund as follows:

#### 101 General Fund Revenues

Taxes	17,282,460
Licenses and Fees	729,250
State Revenue Sharing	3,795,477
Charges for Services	634,400
Fines and Forfeits	1,336,000
Interest, Rents and Royalties	660,000
Miscellaneous	70,000
Transfers-In	1,205,359
<b>Total Revenue</b>	<b>25,712,946</b>

#### 101 General Fund Expenditures

<u>Department #</u>	<u>Name</u>	<u>Budget</u>
101	City Council	38,558
136	District Court	1,317,763
171	Executive	259,705
191	Elections	23,900
209	Assessor	197,250
210	Attorney	151,500
215	City Clerk	165,158
220	Municipal Employees Civil Service	500
221	Police and Fire Civil Service	11,500
223	Finance	493,463
253	Treasurer	241,918
299	General Government	3,429,802
301	Police Department	8,611,411
336	Fire Department	4,958,008
71	Building	589,176
400	Planning Commission	18,500
426	Police Reserves	5,040
441	Public Services	1,898,982
442	City Garage	612,086
528	Sanitation	1,597,750

**Regular City Council Meeting**  
**May 19, 2021**

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672	Senior Citizen	84,972
751	Recreation	603,652
803	Historical Museum	2,200
965	Transfers-Out	400,000

<b>Total Expenditures</b>	<b>25,712,794</b>
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<u>Fund #</u>	<u>Name</u>	<u>Budget Expend.</u>
202	Major Street	1,532,552
203	Local Street	719,000
204	Municipal Street	605,000
208	Park & Recreation	688,020
211	Southgate/Wyandotte O & M	5,000,000
245	Water and Sewer Public Improvements	1,000,000
246	District Court Public Improvements	65,000
248	CDBG	40,000
260	Indigent Defense	186,266
249	Building Dept.	180,000
271	Library	652,071
305	Building Authority	772,030
494	DDA	239,796
495	TIFA	711,813
584	Golf Course	337,800
591	Water and Sewer	10,388,260
677	Workers Comp	120,000
734	Severance Reserve	140,000

II. APPROPRIATION NOT A MANDATE TO SPEND

Appropriations will be considered the maximum authorization to incur expenditures and not a mandate to spend.

III. LIMIT ON OBLIGATIONS AND PAYMENTS.

No obligation shall be incurred against and no payment shall be made from any appropriation account unless there is sufficient unencumbered balance in the appropriation, and sufficient funds are or will be available to meet this obligation.

IV. No obligation shall be incurred against and no payment shall be made from any appropriation account for additional full time and/or part time employees, unless sufficient funding is first appropriated to meet this obligation.

V. CONFORMITY WITH PVIOUS ACTIONS.

The City Council rescinds any prior actions not in conformity with the above stated policies and specifications.

VI. Restate Fund Balances:

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CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
MILLAGE RATE SUMMARY

<u>CITY</u>	<u>17/18</u>	<u>18/19</u>	<u>19/20</u>	<u>20/21</u>	<u>21/22</u>
Operating	10.1366	10.1366	10.1295	10.1295	10.1022
Rubbish	2.4326	2.4326	2.4308	2.4308	2.4242
Act 345 Police & Fire Retirement	10.5600	9.8500	9.9520	9.9520	10.3360
Act 359 of 1925	0.0740	0.0720	0.0720	0.0720	0.0650
Parks & Rec 2017	-	1.00	0.9993	0.9993	0.9966
Roads	1.9334	1.9334	1.9320	1.9320	1.9268
Library	0.8800	0.8800	0.8800	0.8800	0.8800
TOTAL CITY MILLAGE	26.0166	26.3046	26.3956	26.3956	26.7308

COUNTY

Operating & Jail	7.5761	7.5761	7.5761	7.5761	7.5761
WC Parks	0.2459	0.2459	0.2459	0.2459	0.2459
Huron/Clinton	0.2154	0.2154	0.2154	0.2154	0.2154
ISD/S. ED.	3.4643	3.4643	3.4643	3.4643	3.4643
Community College	2.4844	2.4844	2.4844	2.4844	2.4844
EPA Levy	1.3995	1.3995	0.4100	-	-
W.C.T.A.	0.5980	0.5980	0.5980	0.5980	0.5980
TOTAL COUNTY MILLAGE	15.9836	15.9836	14.9941	14.5841	14.5841

SCHOOL

Operating	6.0000	6.0000	6.0000	6.0000	6.0000
Debt Retirement	5.1500	5.1500	5.1500	5.1500	5.1500

TOTAL MILLAGE (SOUTHGATE)	48.0002	48.2882	47.3897	46.9797	47.3149
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CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
SCHEDULE OF "CITY" MILLAGES

	FISCAL YEAR 20/21		FISCAL YEAR 21/22	
Estimated Taxable Valuation	\$ 703,971,964		\$ 746,344,530	
	<u>MILLAGE</u>	<u>AMOUNT</u>	<u>MILLAGE</u>	<u>AMOUNT</u>
<u>General Fund Revenue</u>				
General Operating	10.1295	6,796,156	10.1022	7,199,767
Rubbish	2.4308	1,630,955	2.4242	1,727,745
Act 345 Retirement	9.9520	6,657,773	10.3360	7,366,431
Act 359 of 1925	0.0720	50,683	0.0650	48,512
Parks & Rec 2017	0.9993	703,390	0.9966	743,808
Total General Fund	23.5836	\$ 15,838,957	\$ 23.9240	\$ 17,086,264
<u>Other Funds Revenue</u>				
Roads	1.9320	1,296,263	1.9268	1,373,212
Library	0.8800	595,843	0.8800	656,783
Total Other Funds	2.8120	\$ 1,892,106	2.8068	2,029,995
TOTAL MILLAGE	26.3956	\$ 17,731,063	26.7308	\$ 19,116,260
ADMINISTRATIVE FEE		\$ 450,000		\$ 468,000
TOTAL LEVY		<u>\$ 18,181,063</u>		<u>\$ 19,584,260</u>

PROPERTY VALUE HISTORY			
Fiscal Year	Real Property	Personal Property	Total Taxable Value
2011-12	751,476,183	38,155,976	789,632,159
2012-13	686,972,462	37,282,264	91.7% 724,254,726
2013-14	613,039,002	36,248,177	89.8% 649,287,179
2014-15	603,478,747	42,322,480	99.5% 645,801,227
2015-16	613,134,407	37,870,424	100.8% 651,004,831
2016-17	621,659,938	37,392,525	101.2% 659,052,463
2017-18	622,006,806	37,392,525	100.1% 659,399,331
2018-19	626,168,503	36,868,400	100.6% 663,036,903
2019-20	640,412,681	42,050,781	102.9% 682,463,462
2020-21	663,190,634	40,781,330	103.2% 703,971,964
2021-22	703,673,675	42,670,855	108.0% 746,344,530
	SEV		
2011-12	789,308,863	38,201,800	827,510,663
2012-13	686,972,462	37,282,264	724,254,726
2013-14	613,039,002	36,248,177	649,287,179
2014-15	610,676,520	42,322,480	652,999,000
2015-16	653,383,190	37,870,424	691,253,614
2016-17	669,217,703	37,392,525	706,610,228
2017-18	694,328,600	37,392,525	731,721,125
2018-19	732,279,100	36,926,100	769,205,200
2019-20	757,807,000	41,420,600	799,227,600
2020-21	809,007,814	40,845,400	849,853,214
2021-22	915,515,951	42,725,900	958,241,851

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
DEBT SERVICE SUMMARY

BONDS		DATE ISSUED	OUTSTANDING DEBT AT: June 30, 2021	CURRENT DEBT SERVICE		REQUIREMENTS		OUTSTANDING DEBT AT: June 30, 2022	FINAL MATURITY DATES
				PRINCIPAL	INTEREST	FEES	TOTAL		
Building Authority									
1.927% Library After Refinance	1995	195,000	95,000	5,850	225	101,075	100,000	Apr-23	
2.600% TIFA (Sportplex)	2002	3,105,000	590,000	80,730	225	670,955	2,515,000	Apr-26	
TOTAL BONDS		<u>\$ 3,300,000</u>	<u>\$ 685,000</u>	<u>\$ 86,580</u>	<u>\$ 450</u>	<u>\$ 772,030</u>	<u>\$ 2,615,000</u>		
INSTALLMENT LOANS									
4.98% HVAC	2006	8,626	8,626	60	-	8,686	-	Sep-21	
TOTAL LOANS		<u>\$ 8,626</u>	<u>\$ 8,626</u>	<u>\$ 60</u>	<u>-</u>	<u>8,686</u>	<u>-</u>		
TOTAL DEBT SERVICE		\$ 3,308,626	\$ 693,626	\$ 86,640	\$ 450	\$ 780,716	\$ 2,615,000		
6/30/2003		19,300,000							



CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
DEBT SERVICE FUNDS STATEMENT

	BUILDING AUTHORITY FUND (305)	GENERAL FUND FUND 101	TOTALS
OUTSTANDING DEBT AT 6-30-21	\$ 3,308,626	\$ 8,626	\$ 3,317,252
<u>SOURCES OF FUNDS:</u>			
Transfer in from Library Fund	\$ 101,075		\$ 101,075
Transfer in from TIFA Fund	\$ 670,955		\$ 670,955
TOTAL SOURCES	\$ 772,030	\$ -	\$ 772,030
<u>USES OF FUNDS:</u>			
Principal	685,000	8,626	\$ 693,626
Interest	86,580	60	\$ 86,640
Fees	450	-	\$ 450
TOTAL USES	\$ 772,030	\$ 8,686	\$ 780,716
OUTSTANDING DEBT AT 6-30-22	\$ 2,615,000	\$ -	\$ 2,615,000

CITY OF SOUTHGATE  
CAPITAL OUTLAY SUMMARY

2021 - 2022 FISCAL YEAR BUDGET

		<u>REQUESTED</u>	<u>PROPOSED</u>
<b>GENERAL FUND</b>			
336 Fire	Equipment	\$ 17,000	\$ 34,000
<b>GENERAL FUND</b>		<u>\$ 17,000</u>	<u>\$ 34,000</u>
<b>PARK &amp; REC</b>			
751 Recreation	Land	\$ 612,300	\$ 612,300
	Building	\$ 33,220	\$ 33,220
	Equipment	\$ 42,500	\$ 42,500
<b>TOTAL PARK &amp; REC</b>		<u>\$ 688,020</u>	<u>\$ 688,020</u>
<b>COURT CAPITAL</b>			
136 District Court	Carpet	\$ 55,000	\$ 55,000
<b>TOTAL COURT CAPITAL</b>		<u>\$ 55,000</u>	<u>\$ 55,000</u>
<b>CAPITAL FUND</b>			
301 Police	(3) Police Cars	\$ 90,000	\$ 90,000
336 Fire	Resuce	\$ 200,000	\$ 60,000
<b>TOTAL CAPITAL FUND</b>		<u>\$ 290,000</u>	<u>\$ 150,000</u>
<b>WATER/SEWER</b>			
591 Water & Sewer	Vactor	\$ 500,000	\$ 500,000
<b>TOTAL WATER/SEWER</b>		<u>\$ 500,000</u>	<u>\$ 500,000</u>
<b>MAJOR STREET</b>			
202 Major			
<b>TOTAL MAJOR STREET</b>		<u>\$ -</u>	<u>\$ -</u>
<b>LOCAL STREET</b>			
203 Local			
<b>TOTAL LOCAL STREET</b>		<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL CITY CAPITAL ACQUISITIONS</b>		<u>\$ 1,650,020</u>	<u>\$ 1,427,020</u>

City of Southgate  
Ten Year Cap

2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
2 Police Cars Capital Fund \$64,000	3 Police Cars Capital Fund \$96,000	2 Police Cars Capital Fund \$68,000	3 Police Cars Capital Fund \$102,000	2 Police Cars Capital Fund \$72,000	3 Police Cars General Fund \$108,000	2 Police Cars General Fund \$76,000	3 Police Cars General Fund \$111,000	2 Police Cars General Fund \$80,000	3 Police Cars General Fund \$115,000
Fire Rescue Capital Fund \$60,000	Dump Truck Water/Sewer \$150,000			Fire Rescue Capital Fund \$70,000			Fire Rescue General Fund \$80,000		
Vactor Water/Sewer \$500,000	(2) F-150 Water/Sewer \$60,000								



CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (101) FUND BALANCE

Unassigned Fund Balance at 6-30-20		\$ 901,387
Projected Revenues 20/21 Fiscal Year	24,874,714	
Projected Expenditures 20/21 Fiscal Year	<u>(24,975,016)</u>	<u>(100,302)</u>
Projected Fund Balance at 6-30-21		\$ 801,085
Budgeted Revenues 21/22 Fiscal Year	25,712,946	
Budgeted Expenditures 21/22 Fiscal Year	<u>(25,712,794)</u>	<u>152</u>
Projected Fund Balance at 6-30-22		<u>\$ 801,237</u>

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND  
EXPENDITURE SUMMARY

<u>DEPT #</u>	<u>DEPARTMENT</u>	MAYORS RECOMM
101	City Council	\$ 38,558
136	District Court	\$ 1,317,763
171	Executive	\$ 259,705
191	Elections	\$ 23,900
209	Assessor	\$ 197,250
210	Attorney	\$ 151,500
215	City Clerk	\$ 165,158
220	Municipal Emp Civil Serv	\$ 500
221	Police & Fire Civil Serv	\$ 11,500
223	Finance	\$ 493,463
253	Treasurer	\$ 241,918
299	General Government	\$ 3,429,802
301	Police	\$ 8,611,411
336	Fire	\$ 4,958,008
371	Building	\$ 589,176
400	Planning Commission	\$ 18,500
426	Police Reserves	\$ 5,040
441	DPS	\$ 1,898,982
442	City Garage	\$ 612,086
528	Sanitation	\$ 1,597,750
672	Senior Citizens Center	\$ 84,972
751	Recreation	\$ 603,652
803	Historical Museum	\$ 2,200
805	Civic Center	\$ -
965	Transfers Out	\$ 400,000
<b>TOTAL GENERAL FUND</b>		<b><u>\$ 25,712,794</u></b>

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR I  
GENERAL FUND EST REV FUND 101

MAYORS  
RECOMM

403-000	Current Taxes	
403-001	City Operating	7,148,480
403-002	Rubbish	1,715,433
403-003	Police & Fire Pension	7,294,189
403-004	Act 359 of 1925	48,797
403-005	Park & Rec	-
403-484	DDA Tax Sharing	76,068
403-485	TIFA Tax Sharing	341,150
424-000	Payment in Lieu of Taxes	121,368
444-000	Administration Fee	467,495
445-000	Penalties & Interest	89,500
		<u>17,282,460</u>
451-000	Business Licenses	44,000
476-000	Fire Suppression Permits	1,250
477-000	Building Permits	550,000
477-001	Exterior Inspection	100,000
478-000	Other Licenses & Fees	6,800
479-000	Rental Fee	24,500
481-000	Vacant Property Registration	2,900
		<u>729,250</u>
505-000	Federal Grants Public Safety	
529-000	Federal Grant CDBG	40,000
529-001	Fed Grant Justice	15,000
529-003	Fed Grant Law Enfore	-
539-000	State Grants	57,500
540-000	Juror Reimbursement	750
541-000	District Court Judge Supp	45,724
542-000	School Officer	80,000
544-000	SMART Grant	39,000
545-000	Act 302 Training Grant	8,500
573-000	Local Stabilization share	130,000
576-000	Sales Constitutional	2,720,694
578-001	EVIP	635,309
578-000	Liquor Licenses	25,000
582-000	DCC Police	
		<u>3,795,477</u>
612-000	Youth Sports Programs	57,700
612-001	Adult Sports Programs	13,600
612-002	Shelter/Pavilion Rental	15,500
613-000	Ice Time Rentals	281,600
613-001	Figure Skating Programs	108,000
613-002	Recreation Ice Programs	20,500
614-000	Rent/Vending Revenue	30,500
620-000	Service charges	2,500
629-000	Accummed Fire Service	
630-000	Senior Center Van services	4,000
632-000	Report Copies	3,000
638-000	Police dept services	45,500
639-000	Tree Plantings	3,500
640-000	Sidewalk Installations	25,500
641-000	Weed Cutting	25,000
		<u>634,400</u>



CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR  
GENERAL FUND EST REV FUND 101

MAYORS  
RECOMM

656-000	Court fines & fees	1,180,000
656-003	Drug Case Management	
656-004	Drunk-Driving Caseload	8,000
656-005	Work Program	30,500
656-006	vetrans court	7,500
662-000	Penalties	
663-000	vetrans court grant	112,000
		<u>1,338,000</u>
664-000	Interest on Deposits	2,000
667-000	Rent Rapid Response	
668-000	Rents & Royalties	658,000
668-001	Rent from School Board	
		<u>660,000</u>
671-000	Other revenue	10,500
673-000	Sale of City Property	5,500
680-000	Processing Fee Deq W/S	54,000
696-000	SEMIA Revenue	
		<u>70,000</u>
698-202	Trans in from Major str	250,500
698-203	Trans in from Local str	275,500
698-271	Trans in from Library Fund	35,000
698-494	Trans in from DDA	40,000
698-495	Trans in from TIFA	35,000
698-584	Trans in from Golf	
698-591	Trans in from Water Fund	569,359
		<u>1,205,359</u>
TOTAL GENERAL FUND REVENUE		<u>2,573,359</u>

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (FUND 101)

CITY COUNCIL (DEPARTMENT 101)

		MAYORS RECOMM
<u>PERSONAL SERVICES</u>		
703	Elected officials	35,400
706	Permanent employees	
709	Overtime	
715	FICA	2,708
716	Hospitalization	
717	Life, Sick & Acc Ins	
718	Retirement	
719	Dental Ins	
720	Optical Ins	
721	Longevity	
		<hr/>
TOTAL PERSONAL		38,108
<u>SUPPLIES</u>		
727	Office supplies	100
740	Operating supplies	
		<hr/>
TOTAL SUPPLIES		100
<u>OTHER SERVICES &amp; CHARGES</u>		
811	Service Contracts	
860	Travel & training	350
930	Repairs & maint	
956	Misc	
		<hr/>
TOTAL OTHER		350
TOTAL DEPARTMENT BUDGET		38,558

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (FUND 101)

**DISTRICT COURT (DEPARTMENT 136)**

		MAYORS RECOMM
<u>PERSONAL SERVICES</u>		
703	Elected officials	45,724
706	Permanent employees	570,065
707	Part time employees	100,000
707--02	Part time employees WP	3,022
709	Overtime	1,500
715	FICA	53,555
716	Hospitalization	174,500
716-004	RHCSA MERS	4,984
717	Life, Sick & Acc Ins	1,613
718	Retirement	177,917
719	Dental Ins	12,648
720	Optical Ins	1,135
721	Longevity	4,300
724	On Call	3,004
		<hr/> 1,153,967
<u>SUPPLIES</u>		
727	Office supplies	1,525
727-002	Office supplies WP	500
740	Operating supplies	15,039
740-002	Operating supplies WP	1,000
740-003	Veterans Court	25,000
		<hr/> 43,064
<u>OTHER SERVICES &amp; CHARGES</u>		
801	Professional fees	20,000
801-001	Jury Fees	3,500
801-663	Vetrtans Court Prof Fees	17,425
811	Service Contracts	10,000
830	Dues & Subscriptions	6,845
850	Communications	3,238
860	Travel & Training	4,675
860-003	Vet Court T & T	-
910	Bonds & Insurance	2,825
920	Public Utilities	10,089
930	Repairs & maint	9,348
930-002	Repairs & maint WP	1,800
940	Rentals	30,987
956	Misc	-
960	Education Reimbursement	-
		<hr/> 120,732
<u>CAPITAL OUTLAY</u>		
977	Machinery & Equipment	-
<b>TOTAL DEPARTMENT BUDGET</b>		<b>1,317,763</b>



CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (FUND 101)

**EXECUTIVE (DEPARTMENT 171)**

<u>PERSONAL SERVICES</u>		MAYORS RECOMM
703	Elected officials	11,000
704	Appointed	111,100
706	Permanent Employees	51,411
715	FICA	13,346
716	Hospitalization	24,540
716-004	Retiree Health Saving	2,222
717	Life, Sick & Acc Ins	378
718	Retirement	40,764
719	Dental Ins	1,524
720	Optical Ins	170
721	Longevity	950
		<u>257,405</u>
<u>SUPPLIES</u>		
727	Office supplies	250
740	Operating supplies	<u>250</u>
		500
<u>OTHER SERVICES &amp; CHARGES</u>		
830	Dues & Subscriptions	
850	Communications	
860	Travel & Training	500
900	Printing & Publishing	200
930	Repairs & maint	
956	Misc	100
960	Education Reimbursement	<u>1,000</u>
		1,800
977	Equipment	
<b>TOTAL DEPARTMENT BUDGET</b>		<b>259,705</b>

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (FUND 101)

ELECTIONS (DEPARTMENT 191)

		MAYORS RECOMM
<u>PERSONAL SERVICES</u>		
707	Part time Employees	12,500
715	FICA	
		<hr/> 12,500
<u>SUPPLIES</u>		
727	Office supplies	1,000
740	Operating supplies	1,700
775	Repair & Maintenance	
		<hr/> 2,700
<u>OTHER SERVICES &amp; CHARGES</u>		
801	Professional Fees	4,500
860	Travel & Training	300
900	Printing & Publishing	3,500
930	Repairs & maint	
940	Rentals	
956	Misc	
		<hr/> 400
		8,700
977	Machinery & Equipment	-
<u>TOTAL DEPARTMENT BUDGET</u>		<hr/> 23,900

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (FUND 101)

**ASSESSOR (DEPARTMENT 209)**

		MAYORS RECOMM
<u>PERSONAL SERVICES</u>		
706	Permanent employees	
707	Part time employees	
709	Overtime	
715	FICA	
716	Hospitalization	
717	Life, Sick & Acc Ins	
718	Retirement	
719	Dental Ins	
720	Optical Ins	
721	Longevity	
<u>SUPPLIES</u>		
727	Office supplies	400
740	Operating supplies	
		<hr/> 400
<u>OTHER SERVICES &amp; CHARGES</u>		
801	Professional fees	192,000
830	Dues & Subscriptions	3,500
860	Travel & Training	1,000
900	Printing & Publishing	250
956	Misc	100
		<hr/> 196,850
978	Office Equipment	
<b>TOTAL DEPARTMENT BUDGET</b>		<b>197,250</b>



CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (FUND 101)

ATTORNEY (DEPARTMENT 210)

	MAYORS RECOMM
<u>OTHER SERVICES &amp; CHARGES</u>	
801 Professional fees	151,500
956 Misc	
<u>TOTAL DEPARTMENT BUDGET</u>	<u>151,500</u>

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (FUND 101)

**CITY CLERK (DEPARTMENT 215)**

MAYORS  
RECOMM

703	Elected officials	6,250
706	Permanent employees	62,468
707	Part time employees	17,000
709	Overtime	5,000
715	FICA	7,016
716	Hospitalization	18,405
717	Life, Sick & Acc Ins	188
718	Retirement	43,135
719	Dental Ins	817
720	Optical Ins	79
721	Longevity	1,000
		<u>161,358</u>

727	Office supplies	200
740	Operating supplies	500
		<u>700</u>

801-001	City Code Supplement	2,000
830	Dues & Subscriptions	350
860	Travel & Training	250
900	Printing & Publishing	250
930	Repairs & Maintenance	
956	Misc	250
		<u>3,100</u>

977 Machinery & Equipment

*165,158* *165,158* 165,158

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CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (FUND 101)

**MUNI EMP CIVIL SERV (DEPART 220)**

MAYORS  
RECOMM

PERSONAL SERVICES

707 Part time Employees  
715 FICA

\_\_\_\_\_

SUPPLIES

727 Office supplies

OTHER SERVICES & CHARGES

801 Professional Fees  
900 Printing & Publishing 500  
956 Misc  
\_\_\_\_\_ 500

**TOTAL DEPARTMENT BUDGET 500**

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (FUND 101)

POLICE & FIRE CIVIL SERV DEPART 221

		MAYORS RECOMM
<u>PERSONAL SERVICES</u>		
707	Part time Employees	-
715	FICA	-
		<hr/>
<u>SUPPLIES</u>		-
727	Office supplies	
<u>OTHER SERVICES &amp; CHARGES</u>		
801	Professional Fees	10,000
900	Printing & Publishing	1,500
956	Misc	
		<hr/>
		11,500

TOTAL DEPARTMENT BUDGET 11,500

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (FUND 101)

**FINANCE (DEPARTMENT 223)**

MAYORS  
RECOMM

PERSONAL SERVICES

706	Permanent employees	237,110
707	Part time	16,500
709	Overtime	7,000
715	FICA	20,736
716	Hospitalization	63,215
716-004	RHCS MERS	634
717	Life, Sick & Acc Ins	756
718	Retirement	135,680
719	Dental Ins	5,908
720	Optical Ins	524
721	Longevity	2,450
		<hr/> 490,513

SUPPLIES

727	Office supplies	1,000
740	Operating supplies	250
		<hr/> 1,250

OTHER SERVICES & CHARGES

801	Professional fees	200
830	Dues & Subscriptions	200
860	Travel & Training	200
900	Printing & Publishing	1,000
956	Misc	100
		<hr/> 1,700

CAPITAL OUTLAY

977	Machinery & Equipment	
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**TOTAL DEPARTMENT BUDGET: 493,463**



CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (FUND 101)

**TREASURER (DEPARTMENT 253)**

		MAYORS RECOMM
<u>PERSONAL SERVICES</u>		
703	Elected Officials	5,250
706	Permanent Employees	106,216
707	Part time	16,000
709	Overtime	2,500
715	FICA	10,073
716	Hospitalization	14,290
716-004	RHCS MERS	
717	Life, Sick & Acc Ins	324
718	Retirement	74,602
719	Dental Ins	1,936
720	Optical Ins	77
721	Longevity	1,700
		<hr/> 232,968
<u>SUPPLIES</u>		
727	Office supplies	200
740	Operating supplies	
		<hr/> 200
<u>OTHER SERVICES &amp; CHARGES</u>		
801	Professional fees	2,100
830	Dues & Subscriptions	200
860	Travel & Training	750
900	Printing & Publishing	5,500
930	Repairs & Maintenance	100
956	Misc	100
		<hr/> 8,750
<u>CAPITAL OUTLAY</u>		
977	Machinery & Equipment	-
978	Office Furniture	

**TOTAL DEPARTMENT BUDGET 241,918**

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (FUND 101)

GENERAL GOVERNMENT (DEPARTMENT 299)

		MAYORS RECOMM
<u>PERSONAL SERVICES</u>		
715-000	FICA	200
716-001	Hospitalization - Mun Emp Ret	610,541
716-002	Hospitalization - P&F Retiree	1,955,811
717-001	Life - Mun Emp Retiree	4,350
719-001	Mun Retire Dent	23,947
		<u>2,594,849</u>
<u>SUPPLIES</u>		
727	Office supplies	1,250
728	Postage	36,000
740	Operating supplies	500
		<u>37,750</u>
<u>OTHER SERVICES &amp; CHARGES</u>		
801	Professional fees	80,000
801-012	Brownfield	
811	Service Contracts	14,000
830	Dues & Subscriptions	47,000
850	Communications	6,000
880	Community Promotion	2,500
900	Printing & Publishing	900
910	Bonds & Insurance	470,000
912	Self Insurance Claims	25,000
916	Unemployment Comp. Reimb.	
920	Public Utilities	40,617
930	Repairs & Maintenance	35,000
931	Repairs & Maintenance - Bldg.	
940	Rentals	40,000
956	Miscellaneous	2,500
958	Prior Years Tax Refunds	25,000
		<u>788,517</u>
<u>DEBT SERVICE &amp; TRANSFERS OUT</u>		
991	Principal	8,626
995	Interest	60
999-305	Transf to Bldg Authority	
		<u>8,686</u>
<u>CAPITAL OUTLAY</u>		
977	Machinery & Equipment	

TOTAL DEPARTMENT BUDGET 3,429,802

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CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (FUND 101)

**POLICE (DEPARTMENT 301)**

MAYORS  
RECOMM

PERSONAL SERVICES

705-000	Act 345 Employees	2,503,900
705-001	Director and Chief	208,557
705-010	Act 345 Overtime	284,200
705-011	Oper. Safer Overtime	100,000
706	Permanent Employees	216,748
707	Part Time Employees	65,558
709	Overtime	3,000
710	Holiday Pay	118,490
715	FICA	67,282
716	Hospitalization	597,000
716-001	Hosp ins mun emp retire	
716-004	RHCS MERS	12,936
717	Life, Sick & Acc Ins	6,600
718	Retirement - Munic	126,788
718-001	Retirement - P&F	3,172,678
719	Dental Ins	33,671
720	Optical Ins	4,600
721	Longevity	14,100
722	Expense Allowance	5,040
723	Gun Allowance	25,830
724	On Call Allowance	29,544
		<hr/> 7,596,522

SUPPLIES

727	Office supplies	4,100
729	Hazardous Duty	-
740	Operating supplies	30,714
744	Clothing	73,390
775	Repair & Maintenance Sup.	106,900
781	Equipment Supplies	1,305
		<hr/> 216,409

OTHER SERVICES & CHARGES

801	Professional fees	20,590
811	Service Contracts	665,689
830	Dues & Subscriptions	2,464
850	Communications	22,618
860-000	Travel & Training	16,448
860-302	Act 302 Training	8,495
900	Printing & Publishing	5,018
920	Public Utilities	26,460
930	Repairs & Maintenance	800
931	Repairs & Maint - Bldg.	900
933	Repairs & Maint - Equip.	2,350
934	Repairs & Maint - Off Equip	14,228
939	Repairs & Maint - Vehicles	7,000
940	Rentals	3,360
956	Miscellaneous	500
		<hr/> 796,920

CAPITAL OUTLAY

977	Machinery & Equipment	
978	Office Equipm & Furn	1,560
		<hr/> 1,560

DEBT SERVICE

991	Principal	
995	Interest	
		<hr/>

TOTAL DEPARTMENT BUDGET 8,611,411

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (FUND 101)  
FIRE (DEPARTMENT 336)

<u>PERSONAL SERVICES</u>		MAYORS RECOMM
705-000	Act 345 Employees	1,824,309
705-001	Appointed Chief	103,636
705-010	Act 345 Overtime	155,323
707	Part Time Employees	12,000
710	Holiday Pay	86,095
714	Food Allowance	31,500
715	FICA	33,349
716	Hospitalization	360,000
716-004	RHCS MERS	4,544
717	Life, Sick & Acc Ins	4,063
718-001	Retirement - P&F	2,127,349
719	Dental Ins	32,074
720	Optical Ins	2,994
721	Longevity	13,550
722	Expense Allowance	720
724	On Call Allowance	7,802
		4,799,308
<u>SUPPLIES</u>		
727	Office supplies	1,000
729	Hazardous Duty	
740	Operating supplies	10,000
741	Public Education	1,000
744	Clothing	30,000
775	Repair & Maintenance Sup.	2,000
781	Equipment Supplies	2,500
		46,500
<u>OTHER SERVICES &amp; CHARGES</u>		
801	Professional fees	7,000
811	Service Contracts	16,000
830	Dues & Subscriptions	1,500
850	Communications	8,500
860	Travel & Training	7,500
900	Printing & Publishing	1,000
920	Public Utilities	18,500
930	Repairs & Maintenance	10,000
939	Repairs & Maint - Vehicles	7,500
940	Rentals	300
956	Miscellaneous	400
		78,200
<u>CAPITAL OUTLAY</u>		
975	Building	
979	Equipment	34,000
980	Vehicles	-
		34,000
<u>DEBT SERVICE</u>		
991	Principal	
995	Interest	

TOTAL DEPARTMENT BUDGET 4,958,008

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (FUND 101)  
BUILDING (DEPARTMENT 371)

<u>PERSONAL SERVICES</u>		MAYORS RECOMM
706	Permanent Employees	204,800
707	Part Time Employees	15,729
709	Overtime	5,000
715	FICA	18,458
716	Hospitalization	43,500
716-004	RHCS MERS	1,959
717	Life, Sick & Acc Ins	594
718	Retirement	85,577
719	Dental Ins	3,133
720	Optical Ins	326
721	Longevity	1,750
724	On Call Allowance	
		<hr/> 380,826
<u>SUPPLIES</u>		
727	Office supplies	1,200
740	Operating supplies	1,700
		<hr/> 2,900
<u>OTHER SERVICES &amp; CHARGES</u>		
801	Professional fees	204,000
811	Service Contracts	
830	Dues & Subscriptions	600
850	Communications	-
860	Travel & Training	550
939	Repairs & Maintenance - Vehicles	200
956	Miscellaneous	100
		<hr/> 205,450
<u>CAPITAL OUTLAY</u>		
977	Machinery & Equipment	
<b>TOTAL DEPARTMENT BUDGET</b>		<b>589,176</b>



CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (FUND 101)

PLANNING COMM DEPART 400

MAYORS  
RECOMM

SUPPLIES

727	Office supplies	-
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OTHER SERVICES & CHARGES

801	Professional fees	18,500
956	Miscellaneous	-
		<hr/>
		18,500

TOTAL DEPARTMENT BUDGET 18,500

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (FUND 101)

**POLICE RESERVES (DEPARTMENT 426)**

MAYORS  
RECOMM

SUPPLIES

727	Office supplies	
740	Operating supplies	140
751	Gasoline, Oil & Grease	2,000
775	Repair & Maintenance Sup	
		<hr/> 2,140

OTHER SERVICES & CHARGES

801	Professional fees	400
850	Communications	200
860	Travel & Training	2,000
900	Printing & Publishing	
930	Repairs & Maintenance	100
939	Repairs & Maintnenace - Vehicles	200
		<hr/> 2,900

977	Machinery & Equipment	<hr/> -
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**TOTAL DEPARTMENT BUDGET** 5,040

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CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (FUND 101)  
PUBLIC SERVICES (DEPARTMENT 441)

<u>PERSONAL SERVICES</u>		MAYORS RECOMM
706	Permanent Employees	409,959
707	Part Time Employees	50,241
709	Overtime	50,000
715	FICA	39,765
716	Hospitalization	118,500
716-004	RHCS MERS	746
717	Life, Sick & Acc Ins	1,220
718	Retirement	277,470
719	Dental Ins	9,148
720	Optical Ins	908
721	Longevity	6,600
724	On Call Allowance	3,006
		<hr/>
		967,563
<u>SUPPLIES</u>		
727	Office supplies	1,500
740	Operating supplies	6,500
744	Clothing	2,000
775	Repair & Maintenance Sup.	100,500
778	Expendable Tools/Allow	1,500
781	Equipment Supplies	1,000
		<hr/>
		113,000
<u>OTHER SERVICES &amp; CHARGES</u>		
801	Professional fees	40,000
811	Service Contracts	119,000
830	Dues & Subscriptions	500
850	Communications	4,000
860	Travel & Training	1,000
861	Meal Allowance	1,500
900	Printing & Publishing	
920	Public Utilities	547,419
930	Repairs & Maintenance	3,000
931	Repairs & Maintenance - Bldg	101,000
933	Repairs & Maintenance - Equipment	
939	Repairs & Maintenance - Vehicles	
947	Equipment Rental	
956	Miscellaneous	
		<hr/>
		817,419
<u>CAPITAL OUTLAY</u>		
977	Machinery & Equipment	1,000
975	Buildings/Building Improvements	
980	Vehicles	
		<hr/>
		1,000

**TOTAL DEPARTMENT BUDGET 1,898,982**

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (FUND 101)  
PUBLIC GARAGE (DEPARTMENT 442)

<u>PERSONAL SERVICES</u>		MAYORS RECOMM
706	Permanent Employees	195,830
709	Overtime	18,000
715	FICA	16,668
716	Hospitalization	26,500
716-004	RHCS MERS	767
717	Life, Sick & Acc Ins	593
718	Retirement	115,784
719	Dental Ins	2,384
720	Optical Ins	257
721	Longevity	2,550
724	On Call Allowance	1,503
		<u>380,836</u>
<u>SUPPLIES</u>		
727	Office supplies	200
740	Operating supplies	1,900
744	Clothing	3,000
751	Gasoline, Oil & Grease	100,000
778	Expendable Tools/Allow	4,500
781	Equipment Supplies	77,000
		<u>186,600</u>
<u>OTHER SERVICES &amp; CHARGES</u>		
830	Dues & Subscriptions	1,500
860	Travel & Training	300
861	Meal Allowance	100
930	Repairs & Maintenance	-
933	Repairs & Maintenance - Equipment	2,000
939	Repairs & Maintenance - Vehicles	40,750
940	Rentals	
956	Miscellaneous	
		<u>44,650</u>
<u>CAPITAL OUTLAY</u>		
977	Machinery & Equipment	-
<b>TOTAL DEPARTMENT BUDGET</b>		<b>612,086</b>

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (FUND 101)  
SANITATION (DEPARTMENT 528)

MAYORS  
RECOMM

OTHER SERVICES & CHARGES

802-001	Rubbish Collection	704,750
802-002	Rubbish Disposal	175,000
802-003	Recycling Pickup	660,000
802-004	Composting	58,000
930	Repairs & Maint	
977	Mach. & Equipment	
		<hr/> 1,597,750

TOTAL DEPARTMENT BUDGET 1,597,750



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CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (FUND 101)  
SENIOR CITIZEN CENTER DEPART 672

<u>PERSONAL SERVICES</u>		MAYORS RECOMM
706	Permanent Employees	
707	Part Time Employees	66,848
715	FICA	5,114
716	Hospitalization	
717	Life, Sick & Acc	
718	Retirement	
719	Dental	
720	Optical	
721	Longevity	
		<hr/> 71,962
<u>SUPPLIES</u>		
727	Office supplies	400
740	Operating supplies	400
751	Gasoline, Oil & Grease	
		<hr/> 800
<u>OTHER SERVICES &amp; CHARGES</u>		
801	Professional fees	-
830	Dues & Subscriptions	-
850	Communications	1,072
860	Travel & Training	
900	Public Utilities	11,038
930	Repairs & Maintenance	
956	Miscellaneous	100
		<hr/> 12,210
977	Equipment	-

**TOTAL DEPARTMENT BUDGET 84,972**

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (FUND 101)  
RECREATION (DEPARTMENT 751)

<u>PERSONAL SERVICES</u>		MAYORS RECOMM
706	Permanent Employees	95,000
707	Part Time Employees	155,000
709	Overtime	
715	FICA	18,742
716	Hospitalization	22,600
716-004	RHCS MERS	1,700
717	Life, Sick & Acc Ins	378
718	Retirement	5,950
719	Dental Ins	1,597
720	Optical Ins	217
		<hr/> 301,184
<u>SUPPLIES</u>		
727	Office supplies	2,500
740	Operating supplies Ice	35,000
740-001	Operating supplies Youth	25,000
775	Repair & Maintenance Sup.	<hr/> 62,500
<u>OTHER SERVICES &amp; CHARGES</u>		
801	Professional Fees	12,000
806	Online Registration Fee	9,000
830	Dues & Subscriptions	2,800
850	Communications	4,500
860	Travel & Training	1,500
900	Printing & Publishing	250
920	Public Utilities	165,000
920	Public Utilities Banquet H	14,500
920	Public Utilities Concession	1,218
930	Repairs & Maintenance	26,000
940	Rentals	3,200
956	Miscellaneous	<hr/> 239,968
<u>CAPITAL OUTLAY</u>		
974	Land	
975	Build Improvement	
977	Equipment	<hr/>
		<hr/>
TOTAL DEPARTMENT BUDGET		603,652



CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (FUND 101)  
HISTORICAL MUSEUM DEPART 803

MAYORS  
RECOMM

SUPPLIES

740	Operating supplies	
811	Service	
920	Public Utilities	2,200
930	Repairs & Maintenance	

TOTAL DEPARTMENT BUDGET 2,200

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GENERAL FUND (FUND 101)  
TRANSFERS OUT (DEPARTMENT 965)

MAYORS  
RECOMM

DEBT SERVICE & TRANSFERS OUT

999-203	Transf to Local Streets	
999-305	Transf to Building Auth	-
999-408	Transf to Cap Imprv Fd	-
999-584	Transf to Golf Course	-
999-677	Transf to Wrkrs Cmp Fd	25,000
999-734	Transf to Sev Res Fd	200,000
999-735	Transf to Mun Emp Ret. H	175,000
		<u>-</u>

TOTAL DEPARTMENT BUDGET 2021-2022 400,000

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
MAJOR STREET FUND (202)  
FUNDS STATEMENT

FUND BALANCE AT 6-30-20	\$ 5,020,512
ADD: PROJECTED REVENUE 2020/2021 FISCAL YEAR	\$ 2,000,100
TOTAL FUNDS AVAILABLE	\$ 7,020,612
LESS: PROJECTED EXPENDITURES 2020/2021 FISCAL YEAR	\$ 1,390,131
PROJECTED FUND BALANCE AT 6-30-21	<u>\$ 5,630,481</u>
ADD: BUDGETED REVENUE 2021/2022 FISCAL YEAR	\$ 2,238,308
TOTAL FUNDS AVAILABLE	\$ 7,868,789
LESS: BUDGETED EXPENDITURES 2021/2022 FISCAL YEAR	\$ 1,532,552
PROJECTED FUND BALANCE AT 6-30-22	<u>\$ 6,336,237</u>

Barberry	\$ 2,000,000
Bridge	\$ 500,000
Gas Tanks	\$ 300,000
Walking	\$ 75,000
Total	\$ 2,875,000



CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
MAJOR STREET FUND (FUND 202)

		<u>STATE SHARED REV</u>	DEPT REQ FY 21/22
202-000	546-000	State Gas & Weight Tax	2,238,208
	546-203	Transfer in from Local St	
	664-000	Interest on Deposits	100
	671-000	Other	
TOTAL MAJOR STREET FUND REV			2,238,308

		<u>EXPENDITURES</u>	DEPT REQ FY 20/21
202-441	967-010	Construction	125,000
	967-020	Surface Maint	125,000
	967-030	Sweeping & Flushing	75,000
	967-040	Maint - Trees & Shrubs	85,000
	967-050	Maint - Drains & Ditches	1,000
	967-060	Maint - Grass & Weeds	10,000
	967-070	Maint - Traffic Signals	80,000
	967-080	Maint - Pavement Marking	3,000
	967-090	Winter Maint	50,000
	967-110	Administration	35,000
	967-120	Engineering	4,000
	967-130	Record Keeping	-
	967-140	Joint & Crack Sealing	80,000
	969-203	Transf to Local St Fund	559,552
	969-320	Transf to MVHF Debt Fund	-
	975-000	Building Improv	300,000
TOTAL MAJOR ST EXPENDITURES			1,532,552

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
LOCAL STREET FUND (203)  
FUNDS STATEMENT

FUND BALANCE AT 6-30-20	\$ 4,528,070
ADD: PROJECTED REVENUE 2020/2021 FISCAL YEAR	\$ 1,300,100
TOTAL FUNDS AVAILABLE	\$ 5,828,170
LESS: PROJECTED EXPENDITURES 2020/2021 FISCAL YEAR	\$ 341,670
PROJECTED FUND BALANCE AT 6-30-21	<u>\$ 5,486,500</u>
ADD: BUDGETED REVENUE 2021/2022 FISCAL YEAR	\$ 1,452,053
TOTAL FUNDS AVAILABLE	\$ 6,938,553
LESS: BUDGETED EXPENDITURES 2021/2022 FISCAL YEAR	\$ 719,000
PROJECTED FUND BALANCE AT 6-30-22	<u>\$ 6,219,553</u>

Alley	\$ 300,000
Barberry	\$ 2,000,000
Gas Tanks	\$ 300,000
Walking	\$ 75,000
Total	\$ 2,675,000

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
LOCAL STREET FUND (FUND 203)

		<u>STATE SHARED REV</u>	DEPT REQ FY 21/22
203-000	546-000	State Gas & Weight Tax	892,401
	546-001	25% Transfer from Major	559,552
	546-002	Transfer in from General Fd.	
	546-004	Transfer in from Drains	
	664-000	Interest on Deposits	100
	671-000	Other	
TOTAL LOCAL STREET FUND REV			1,452,053

		<u>EXPENDITURES</u>	DEPT REQ FY 20/21
203-441	967-010	Construction	1,000
	967-020	Surface Maint	65,000
	967-030	Sweeping & Flushing	115,000
	967-040	Maint - Trees & Shrubs	70,000
	967-050	Maint - Drains & Ditches	4,000
	967-070	Maint - Traffic Signals	23,000
	967-080	Maint - Pavement Marking	2,000
	967-090	Winter Maint	41,000
	967-110	Administration	16,000
	967-120	Engineering	2,000
	967-130	Record Keeping	-
	967-140	Joint & Crack Sealing	80,000
	969-202	Transf to Major St Fund	-
	975-000	Building	300,000
	982-000	Vehicles	-
TOTAL LOCAL ST EXPENDITURES			719,000



CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
MUNICIPAL STREET FUND (204)  
FUNDS STATEMENT

FUND BALANCE AT 6-30-20	\$ 724,120
ADD: PROJECTED REVENUE 2020/2021 FISCAL YEAR	\$ 1,300,100
TOTAL FUNDS AVAILABLE	\$ 2,024,220
LESS: PROJECTED EXPENDITURES 2020/2021 FISCAL YEAR	\$ 1,123,600
PROJECTED FUND BALANCE AT 6-30-21	<u>\$ 900,620</u>
ADD: BUDGETED REVENUE 2021/2022 FISCAL YEAR	\$ 1,363,526
TOTAL FUNDS AVAILABLE	\$ 2,264,146
LESS: BUDGETED EXPENDITURES 2021/2022 FISCAL YEAR	\$ 605,000
PROJECTED FUND BALANCE AT 6-30-22	<u>\$ 1,659,146</u>

Cats and Dogs	\$ 500,000
Parking Lot	\$ 100,000
total	\$ 600,000

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
MUNICIPAL STREET FUND (FUND 204)

			DEPT REQ FY 21/22
<u>PROPOSED REVENUE</u>			
204-000	403-000	Current Taxes	1,363,426
	664-000	Interest Earnings	100
	699-584	Ttrans from Golf	-
			<b>\$ 1,363,526</b>

			DEPT REQ FY 20/21
<u>EXPENDITURES</u>			
204-299	801-001	Professional fees	5,000
	958-000	Prior Year Tax Refund	
	967-001	Construction in progress	600,000
	967-002	CDGG Brest Road	
<b>TOTAL MUNICIPAL ST EXPEND</b>			<b>605,000</b>

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
PARK & RECREATION FUND (FUND 208)

		DEPT REQ FY 21/22
<u>PROPOSED REVENUE</u>		
208-000	403-000 Current Taxes	724,000
	539-000 State Grants	225,000
	664-000 Interest	
		\$ 949,000

		DEPT REQ FY 20/21
<u>EXPENDITURES</u>		
208-571	974 Land	612,300
	975 Build Improvement	33,220
	977 Equipment	42,500

TOTAL MUNICIPAL ST EXPEND	688,020
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Fund Balance	\$ 467,396
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CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
CDBG (FUND 248)

	<u>PROPOSED REVENUE</u>	Budget FY 21/22
248-000	525-000 Revenue	40,000
	664-000 Interest	

40,000

<u>PROPOSED EXPENDITURES</u>	DEPT REQ FY 21/22
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OTHER SERVICES & CHARGES

248-299	725	General Exp	40,000
	801	Professional fees	
	802	Contracts/Agreements	
	850	Communications	
	880	Public Relations	
	920	Public Utilities	
	930	Repairs & Maintenance	
	956	Misc	
	957	Overhead	
	958	Prior Yr Tax refund	

40,000

CAPITAL OUTLAY

	974	Land
	975	Bldg Improvement
	978	Office Equip & Furn

965 999-101 Transf to General Fund

TOTAL DEPARTMENT BUDGET 40,000

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
**Building Dept FUND (FUND 249)**

		DEPT REQ FY 21/22
<u>PROPOSED REVENUE</u>		
249-000	491 Escrow	170,000
	492 Bonds	10,000
		<u>\$ 180,000</u>

		DEPT REQ FY 20/21
<u>EXPENDITURES</u>		
249-371	801 Professional fees	180,000
249-371	Refunds Escrow	
	Refunds Bonds	
<b>TOTAL MUNICIPAL ST EXPEND</b>		<u><u>180,000</u></u>

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
Indigent Defense FUND (FUND 260)

			DEPT REQ FY 21/22
<u>PROPOSED REVENUE</u>			
260-000	571-000	Indigent Defense Grant	186,000
	635-000	MIDC Attorney Fees	
	671-000	Other	
			<u>\$ 186,000</u>

			DEPT REQ FY 20/21
<u>EXPENDITURES</u>			
<u>PERSONAL SERVICES</u>			
260-136	706-000	Permanent Employees	\$ 19,620
	707-000	Part Time Employees	\$ 18,200
	715-000	FICA	\$ 2,893
	716	Hospitalization	\$ 2,035
	716-004	RHCS MERS	
	717	Life, Sick & Acc	\$ 149
	718	Retirement	\$ 8,044
	719	Dental Ins	\$ 589
	720	Optical Ins	\$ 106
			<u>51,636</u>

<u>SUPPLIES</u>			
	727	Office supplies	500
	740	Operating supplies	250
			<u>\$ 750</u>

<u>OTHER SERVICES &amp; CHARGES</u>			
	801	Professional fees	\$ 123,000
	802	Contracts/Agreements	\$ 10,000
	850	Communications	
	860	Travel & Training	\$ 880
	930	Repairs & Maintenance	
	956	Miscellaneous	
	977	Cap Mach-Equipment	
			<u>\$ 133,880</u>
<b>TOTAL MUNICIPAL ST EXPEND</b>			<u><u>186,266</u></u>

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
LIBRARY FUND (FUND 271)  
FUNDS STATEMENT

FUND BALANCE AT 6-30-20	\$ 664,244
ADD: PROJECTED REVENUE 2020/2021 FISCAL YEAR	\$ 678,970
TOTAL FUNDS AVAILABLE	\$ 1,343,214
LESS: PROJECTED EXPENDITURES 2020/2021 FISCAL YEAR	\$ 811,001
PROJECTED FUND BALANCE AT 6-30-21	<u>\$ 532,213</u>
ADD: BUDGETED REVENUE 2021/2022 FISCAL YEAR	\$ 707,100
TOTAL FUNDS AVAILABLE	\$ 1,239,313
LESS: BUDGETED EXPENDITURES 2021/2022 FISCAL YEAR	\$ 652,071
PROJECTED FUND BALANCE AT 6-30-22	<u>\$ 587,242</u>



CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
LIBRARY (FUND 271)

<u>PROPOSED REVENUE</u>			Budget FY 21/22
271-000	403-000	Current Taxes	650,000
	660-000	Library Fines	10,000
	664-000	Interest	100
	665-000	State Aid	45,000
	673-000	Book Sales	2,000
			<u>707,100</u>
<u>PROPOSED EXPENDITURES</u>			DEPT REQ FY 21/22
<u>PERSONAL SERVICES</u>			
271-790	706	Permanent Employees	142,495
	707	Part Time Employees	100,979
	709	Overtime	
	715	FICA	15,095
	716	Hospitalization	30,500
	716-004	RHCS MERS	2,849
	717	Life, Sick & Acc	458
	718	Retirement	9,974
	719	Dental Ins	1,635
	720	Optical Ins	217
	721	Longevity	
			<u>304,202</u>
<u>SUPPLIES</u>			
	727	Office supplies	2,500
	740	Operating supplies	3,000
	740-001	Operating supplies/Books	
			<u>5,500</u>
<u>OTHER SERVICES &amp; CHARGES</u>			
	801	Professional fees	7,000
	802	Contracts/Agreements	140,510
	850	Communications	936
	860	Travel & Training	1,000
	880	Public Relations	1,000
	916	Unemployment Insurance	
	920	Public Utilities	30,098
	930	Repairs & Maintenance	8,000
	956	Miscellaneous	5,000
	957	Overhead	35,000
	958	Prior Yr Tax refund	250
			<u>228,794</u>
<u>CAPITAL OUTLAY</u>			
	974	Land	
	975	Building	10,000
	978	Office Equip & Furn	2,500
			<u>12,500</u>
	965 999-305	Transf to Bldg Authority	101,075
<b>TOTAL DEPARTMENT BUDGET</b>			<b>652,071</b>

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GOLF COURSE (FUND 584)

REVENUE PROJECTIONS

		FY 19/20 ACTUALS	FY 20/21 12/31/2020	FY 20/21 BUDGET	FY 20/21 ESTIMATE	DEPT REQ FY 21/22
584-000	642-000 Sales				-	6,000
	642-001 Concession					
	642-002 Rent	5,600	-	8,400	5,600	8,400
	651-000 Green Fees	210,457	142,147	191,000	224,000	205,000
	653-000 Tournament Fees	5,800	4,055	8,500	7,500	8,500
	654-000 Golf Cart Fees	76,195	65,268	75,000	77,000	78,000
	655-000 Foote Golf	3,993	3,005	4,000	4,500	5,000
	658-000 Disc Golf	100	-	250	100	1,000
	664-000 Interest on deposits	658	1	100	-	-
	694-000 Misc					
	699-101 Trans in GF	94,089				
		<u>396,892</u>	<u>214,476</u>	<u>287,250</u>	<u>\$ 318,700</u>	<u>\$ 311,900</u>

FUND STATEMENT

Net Position at 7-1-20		\$ 74,040
Cash Provided from Operations (Budgeted revenue)	318,700	
Cash Used in Operations:		
Budgeted Expenditures	319,675	
less: depreciation	26,000	293,675
Cash flows provided from Operations	25,025	
Cash Used for Acquisitions of Capital Assets	-	
Net Increase in Working Capital (Projected)	25,025	
Net Position at 7-1-21		\$ 99,065
Cash Provided from Operations (Budgeted revenue)	311,900	
Cash Used in Operations:		
Budgeted Expenditures	337,800	
less: depreciation	31,000	306,800
Cash flows provided from Operations	5,100	
Cash Used for Acquisitions of Capital Assets	-	
Net Increase in Working Capital (Projected)	5,100	
Net Position at 7-1-22		\$ 104,165

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
GOLF COURSE (FUND 584)  
(590)

DEPT REQ  
FY 21/22

PERSONAL SERVICES

707	Part Time Employees	-
707-001	Part Time Concession	
715	FICA	-
716	Hospitalization Ins	
719	Dental Ins	
720	Optical Ins	
		-

SUPPLIES

727	Office supplies	-
740	Operating supplies	4,000
740-001	Oper supplies concession	
775	Repair & Maintenance Sup.	15,000
		19,000

OTHER SERVICES & CHARGES

801	Professional fees	
811	Service Contracts	
818	Contractual services	260,800
830	Dues & Subscriptions	
850	Communications	1,500
860	Travel & Training	
910	Bonds & Ins	
920	Public Utilities	12,000
930	Repairs & Maintenance	
930-001	Rep & Maint Concession	
940	Rentals	18,500
940-001	Rentals Concession	
956	Miscellaneous	
968	Depreciation	26,000
994	Bond Payment	
999-204	Trans to Muni STR	
		318,800

TOTAL DEPARTMENT BUDGET 337,800

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
WATER & SEWER (FUND 591)

REVENUE PROJECTIONS

<u>Charges for Services:</u>	FY 19/20	FY 20/21	FY 20/21	FY 20/21	DEPT REQ
591-000	ACTUALS	12/31/2020	BUDGET	ESTIMATE	FY 21/22
403 Current Tax	280,870	879			0
445 Del t/s	2,752	1,342	20,000	3,061	3,000
602 Installations	4,000	2,160	5,000	3,885	5,000
603-001 DRSDS					
617 Tap Fees	7,300	11,600	5,000	16,000	10,000
620 Service Charge	3,075	1,525	5,000	5,000	5,000
626 MTR EXCH	38,836				
643 Metered Water Charges	3,111,355	1,831,810	3,300,000	3,262,000	3,300,000
645 Sewage Disposal Charges	3,337,400	1,938,092	3,650,000	3,451,000	3,500,000
647 Non-residential user fee	24,215	11,162	27,000	21,196	22,000
649 Capital Improvement Charge	858,110	493,044	900,000	878,000	900,000
662 Penalties	140,935	16,595	170,000	65,014	130,000
664 Interest on deposits	11,492	17	5,000	100	100
694 Miscellaneous revenues	39,490	21,599	40,000	40,288	40,000
	<u>7,859,830</u>	<u>4,329,825</u>	<u>8,127,000</u>	<u>7,745,544</u>	<u>7,915,100</u>

STATEMENT OF WORKING CAPITAL

Working Capital @ 6-30-20 1,920,301

Operating Resources:

Projected revenues	7,745,544	
Less : Non-Res	(21,196)	
Projected expenditures	(9,372,602)	
Depreciation	1,300,000	<u>(348,254)</u>

Pro Work Capital @ 6-30-21 1,572,047

Operating Resources:

Projected revenues	7,915,100	
Less : Non-Res	(22,000)	
Projected expenditures	(10,388,260)	
Depreciation	1,300,000	<u>(1,195,160)</u>

Net Working Capital Available 376,887

Resources Used:

Pro Work Capital @ 6-30-22 376,887



CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
WATER & SEWER (FUND 591)  
(636)

DEPT REQ  
FY 21/22

PERSONAL SERVICES

706	Permanent Employees	500,242
707	Part Time Employees	
709	Overtime	90,000
715	FICA	45,723
716	Hospitalization	109,521
718-001	Hospitalization Retirement	126,028
718-004	RHCS MERS	3,510
717	Life, Sick & Acc Ins	1,558
717-001	Life, Retire	742
718	Retirement	278,257
719	Dental Ins	5,281
719-001	Dental Retire	4,766
720	Optical Ins	522
721	Longevity	5,950
724	On-Call Allowance	1,503
		<u>1,173,603</u>

SUPPLIES

727	Office supplies	2,000
728	Postage	22,000
744	Clothing	2,400
751	Gas, Oil & Grease	25,000
775	Repair & Maint. Sup.	121,500
778	Expendable Tools	5,000
781	Equipment Supplies	41,000
795	Replacement Meters	26,000
		<u>244,900</u>

OTHER SERVICES & CHARGES

801	Professional Fees	280,000
805	Construction	-
811	Service Contracts	116,100
811-001	Ser Cont Asset Man Plan	
818-000	Contractual Services	2,411,000
818-002	Sewage Treatment	1,948,880
830	Dues & Subscriptions	5,000
850	Communications	4,000
860	Travel & Training	4,000
861	Meal Allowance	5,000
900	Printing & Publishing	6,000
916	Unemployment Ins	
920	Public Utilities	17,398
925	Water Meter Testing	1,000
930	Repairs & Maintenance	25,000
931	Building Repairs	5,000
933	Equipment Repair	9,500
939	Vehicle Repair	9,000
942	Data System Rental	2,500
947	Equipment Rental	2,000
956	Miscellaneous	1,000
957	Overhead	553,379
968	Depreciation	1,300,000
		<u>6,685,757</u>

CAPITAL OUTLAY

981	Equipment	25,000
982	Vehicles	500,000
		<u>525,000</u>

DEBT SERVICE & TRANSFERS OUT

991	Principal	504,000
995	Interest	195,000
999-245	Transf to Public Imp	900,000
999-677	Transf to Wrks Cmp	45,000
999-734	Transf to Sev Res Fd	40,000
999-735	Transf to MUN RET HEALTH	75,000
		<u>1,759,000</u>

TOTAL DEPARTMENT BUDGET 13,388,260

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
DDA FUND (FUND 494)  
FUNDS STATEMENT

Unrestricted Net Position AT 6-30-20	<u>\$ 144,754</u>
ADD: PROJECTED REVENUE 2020/2021 FISCAL YEAR	\$ 173,100
TOTAL FUNDS AVAILABLE	\$ 317,854
LESS: PROJECTED EXPENDITURES 2020/2021 FISCAL YEAR	\$ 155,660
Payable to State TAP Grant Match	\$ 62,500
Unrestricted Net Position AT 6-30-21	<u>\$ 99,694</u>
ADD: BUDGETED REVENUE 2021/2022 FISCAL YEAR	\$ 194,100
TOTAL FUNDS AVAILABLE	\$ 293,794
LESS: BUDGETED EXPENDITURES 2021/2022 FISCAL YEAR	\$ 202,030
Unrestricted Net Position AT 6-30-22	<u>\$ 91,764</u>

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
DDA (FUND 494)

<u>PROPOSED REVENUE</u>			DEPT REQ FY 21/22
403-000	Current Taxes		158,000
539-000	State Grant		
540-000	Wayne County Grant		
664-000	Interest		100
667-000	Donations		1,000
671-000	Other		-
675-000	Sponsorship		2,000
675-001	DDA Events		4,000
675-002	Market in the Park		4,000
694-000	Heritage Days		25,000
699-495	Trans TIFA		
			<u>194,100</u>
<u>PROPOSED EXPENDITURES</u>			DEPT REQ FY 21/22
<u>CONTRACTUAL SERVICES</u>			
299	704	Appointed	40,000
	707	Part Time Employees	
	715	FICA	3,060
	716	Hospitalization	4,000
	716-004	RHCS MERS	800
	717	Life	138
	718	Retirement	2,800
	719	Dental	222
	720	Optical	46
			<u>51,064</u>
<u>SUPPLIES</u>			
299	727	Office Supplies	200
	728	Postage	
	740	Operating Supplies	500
			<u>700</u>
<u>OTHER SERVICES &amp; CHARGES</u>			
	801	Professional Fees	3,500
	811	Service Contracts	3,600
	860	Travel & Training	500
	880	Community Promotion	2,000
	880-001	DDA Events	12,000
	880-002	Market in the Park	12,000
	880-003	Heritage Days	25,000
	880-004	DDA Promotions	5,000
	900	Printing & Publishing	2,000
	916	Unemployment Ins	-
	920	Public Utilities	6,168
	956	Misc	6,000
	957	Overhead	40,000
			<u>117,766</u>
<u>CAPITAL OUTLAY</u>			
		Land Improvement	
	974	BIG	15,000
	974-010	Land Improvement	10,000
	974-020	TAP Grant	
	975-000	Building	7,500
	991	Principal	
	995	Interest	
	999	Depreciation	<u>37,766</u>
			<u>70,266</u>
TOTAL DEPARTMENT BUDGET			239,796

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
TIFA FUND (FUND 495)  
FUNDS STATEMENT

Unrestricted Net Position AT 6-30-20	\$ 1,351,203
ADD: PROJECTED REVENUE 2020/2021 FISCAL YEAR	\$ 688,567
TOTAL FUNDS AVAILABLE	\$ 2,039,770
LESS: PROJECTED EXPENDITURES 2020/2021 FISCAL YEAR	\$ 711,633
Unrestricted Net Position AT 6-30-21	<u>\$ 1,328,137</u>
ADD: BUDGETED REVENUE 2021/2022 FISCAL YEAR	\$ 698,205
TOTAL FUNDS AVAILABLE	\$ 2,026,342
LESS: BUDGETED EXPENDITURES 2021/2022 FISCAL YEAR	\$ 715,000
Unrestricted Net Position AT 6-30-22	<u>\$ 1,311,342</u>



CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
TIFA (FUND 495)

<u>PROPOSED REVENUE</u>		DEPT REQ FY 21/22
403-000	Current Taxes	698,105
539-000	State Grant	
573-000	PA 86 Comm Stabilization	
664-000	Interest	100
694-000	Misc Rev	
		<u>698,205</u>
<u>PROPOSED EXPENDITURES</u>		DEPT REQ FY 21/22
<u>CONTRACTUAL SERVICES</u>		
<u>OTHER SERVICES &amp; CHARGES</u>		
<u>299</u>	801 Professional Fees	3,050
	811 Service Contracts	2,808
	956 Misc	
	957 Overhead	35,000
		<u>40,858</u>
<u>CAPITAL OUTLAY</u>		
	974 Land Improvement	-
		<u>-</u>
	965 999-305 Transf to Bldg Authority	670,955
		<u>670,955</u>
TOTAL DEPARTMENT BUDGET		<u>711,813</u>

			Sgt/Wyand Operating & Maint (211)	Water & Sewer Public Improvmts (245)	Distr Court Capital Improv (246)
FUND BALANCE AT 6-30-20			\$ 6,745,211	\$ -	\$ 136,613
ADD: PROJECTED REVENUE 2020/2021 FISCAL YEAR			\$ 1,328,000	\$ 900,000	\$ 82,000
TOTAL FUNDS AVAILABLE			\$ 8,073,211	\$ 900,000	\$ 218,613
LESS: PROJECTED EXPENDITURES 2020/2021 FISCAL YEAR			\$ 900,000	\$ 726,000	\$ 184,000
PROJECTED FUND BALANCE AT 6-30-21			<u>\$ 7,173,211</u>	<u>\$ 174,000</u>	<u>\$ 34,613</u>
ADD: BUDGETED REVENUE 2021/2022 FISCAL YEAR			\$ 1,328,000	\$ 900,000	\$ 72,000
TOTAL FUNDS AVAILABLE			\$ 8,501,211	\$ 1,074,000	\$ 108,613
LESS: BUDGETED EXPENDITURES 2021/2022 FISCAL YEAR			\$ 5,000,000	\$ 1,000,000	\$ 65,000
PROJECTED FUND BALANCE AT 6-30-22			<u>\$ 3,501,211</u>	<u>\$ 74,000</u>	<u>\$ 41,613</u>
SWOM Fund Balance					
Cap Outlay 42.708% Oper	17/18	810,536			
Cap		<u>654,856</u>		Distr Court	
Sub Total		1,465,392		Capital Improv	
				(246)	
			6/30/2019 Fund Balance		<u>67,347.00</u>
Capital		654,856	2019/20		
2017/18 Eng on Barberrly releif sewer		300,000	Revenue		140,000.00
Plant Auto @5.5m @ 42.708% = \$2,348,940.00			2019/20		
			Expenditures		
Fund Balance 6/30/19		6,342,915	Bus	35,000.00	
			Roof part 3	79,000.00	
			TOTAL	114,000.00	<u>(114,000.00)</u>
			6/30/2020 Fund Balance		<u>136,613.00</u>
19/20 Capital		500,000	2020/21		
Fund Balance 6/30/20		6,842,915	Revenue		82,000.00
19/20 Barberrly		(300,000)	2020/21		
20/21 capital		500,000	Expenditures		
Fund Balance 6/30/21		7,042,915	Door Card Readers		
20/21 Barberrly		(4,000,000)	Court Bus	34,000.00	
21/22 capital		500,000	Roof part 4	150,000.00	
Fund Balance 6/30/22		3,542,915	TOTAL	184,000.00	<u>(184,000.00)</u>
			6/30/2021 Fund Balance		<u>41,613.00</u>
			2021/22		
			Revenue		72,000.00
			2021/22		
			Expenditures		
			Carpet	56,000.00	
			Computers	10,000.00	
			TOTAL	66,000.00	<u>(66,000.00)</u>
			6/30/2021 Fund Balance		<u>41,613.00</u>

CITY OF SOUTHGATE  
2021 - 2022 FISCAL YEAR BUDGET  
TRUST FUND BALANCE STATEMENT

	WORKERS COMP <u>FUND (677)</u>	SEVERANCE RESERVE <u>FUND (734)</u>
FUND BALANCE AT 6-30-20	\$ 172,098	\$ 900,000
<u>SOURCES OF FUNDS:</u>		
Transfer in from Water	45,000	40,000
Transfer in from General Fund	50,000	200,000
Assigned fund balance	330,000	
 TOTAL SOURCES	<u>\$ 425,000</u>	<u>\$ 240,000</u>
<u>USES OF FUNDS:</u>		
Contractual Services	100,000	640,000
 TOTAL USES	<u>\$ 100,000</u>	<u>\$ 640,000</u>
PROJECTED FUND BAL AT 6-30-21	\$ 497,098	\$ 500,000
<u>SOURCES OF FUNDS:</u>		
Transfer in from Water	45,000	40,000
Transfer in from General Fund	25,000	200,000
 TOTAL SOURCES	<u>\$ 70,000</u>	<u>\$ 240,000</u>
<u>USES OF FUNDS:</u>		
Contractual Services	120,000	140,000
 TOTAL USES	<u>\$ 120,000</u>	<u>\$ 140,000</u>
PROJECTED FUND BAL AT 6-30-22	\$ 447,098	\$ 600,000

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# EXHIBIT - 4

# **2021 Tax Rate Request** (This form must be completed and submitted on or before September 30, 2021)

## **MILLAGE REQUEST REPORT TO COUNTY BOARD OF COMMISSIONERS**

Carefully read the instructions on page 2.

This form is issued under authority of MCL Sections 211.24e, 211.34 and 211.34d. Filing is mandatory. Penalty applies.

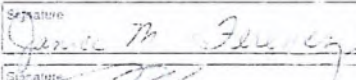
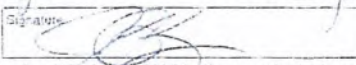
County(ies) Where the Local Government Unit Levies Taxes <b>Wayne</b>	2021 Taxable Value of ALL Properties in the Unit as of 5-24-2021 <b>\$741,693,010</b>
Local Government Unit Requesting Millage Levy <b>City of Southgate</b>	For LOCAL School Districts: 2021 Taxable Value excluding Principal Residence, Qualified Agricultural, Qualified Forest, Industrial Personal and Commercial Personal Properties.

This form must be completed for each unit of government for which a property tax is levied. Penalty for non-filing is provided under MCL Sec 211.119. The following tax rates have been authorized for levy on the 2021 tax roll.

(1) Source	(2) Purpose of Millage	(3) Date of Election	(4) Original Millage Authorized by Election Charter, etc.	(5) ** 2020 Millage Rate Permanently Reduced by MCL 211.34d "Headlee"	(6) 2021 Current Year "Headlee" Millage Reduction Fraction	(7) 2021 Millage Rate Permanently Reduced by MCL 211.34d "Headlee"	(8) Sec. 211.34 Truth in Assessing or Equalization Millage Rollback Fraction	(9) Maximum Allowable Millage Levy *	(10) Millage Requested to be Levied July 1	(11) Millage Requested to be Levied Dec. 1	(12) Expiration Date of Millage Authorized
City Charter	General Operating	1958	12.5000	10.1295	0.9973	10.1022	1.0000	10.1022	10.1022	0.0000	NA
PA 298 of 1917	Rubbish Collection	N/A	3.0000	2.4308	0.9973	2.4242	1.0000	2.4242	2.4242	0.0000	NA
PA 345 of 1937	Police and Fire Pension	N/A	Funding Sufficiency	N/A	1.0000	N/A	1.0000	10.3360	10.3360	0.0000	NA
PA 164 of 1877	Library Operating	1994	1.0000	0.9660	0.9973	0.9633	1.0000	0.9633	0.8800	0.0000	NA
Extra Voted	Roads Operating	2015	1.9334	1.9320	0.9973	1.9268	1.0000	1.9268	1.9268	0.0000	11/2021
PA 359 of 1925	Public Relations	N/A	\$50,000/4.0000	N/A	1.0000	N/A	1.0000	0.0650	0.0650	0.0000	NA
Extra Voted	Parks/Rec. Operating	2017	1.0000	0.9993	0.9973	0.9966	1.0000	0.9966	0.9966	0.0000	11/2022

Prepared by <b>David Angileri</b>	Telephone Number <b>(734) 258-3017</b>	Title of Preparer <b>Asst City Admin/Fin Dir</b>	Date <b>05/19/2021</b>
--------------------------------------	-------------------------------------------	-----------------------------------------------------	---------------------------

**CERTIFICATION:** As the representatives for the local government unit named above, we certify that these requested tax levy rates have been reduced, if necessary to comply with the state constitution (Article 9, Section 31), and that the requested levy rates have also been reduced, if necessary to comply with MCL Sections 211.24e, 211.34 and, for LOCAL school districts which levy a Supplemental (Hold Harmless) Millage, 380.1211(3).

<input checked="" type="checkbox"/> Clerk	Signature 	Print Name <b>Janice Ferencz</b>	Date <b>05/19/2021</b>
<input type="checkbox"/> Secretary			
<input checked="" type="checkbox"/> Mayor	Signature 	Print Name <b>Joseph Kuspa</b>	Date <b>05/19/2021</b>
<input type="checkbox"/> President			

\* Under Truth in Taxation, MCL Section 211.24g, the governing body may decide to levy a rate which will not exceed the maximum authorized rate allowed in column 9. The requirements of MCL 211.24e must be met prior to levying an operating levy which is larger than the base tax rate but not larger than the rate in column 9.

**\*\* IMPORTANT:** See instructions on page 2 regarding where to find the millage rate used in column (5).

Local School District Use Only. Complete if requesting millage to be levied. See SIC Bulletin 2 of 2021 for instructions on completing this section.	
Total School District Operating Rates to be Levied (HH/Supp and NH Oper ONLY)	Rate
For Principal Residence, Qualified Ag, Qualified Forest and Industrial Personal	
For Commercial Personal	
For all Other	

STATE OF MICHIGAN  
WAYNE COUNTY CIRCUIT COURT

JOHN O'DONNELL  
and COLLEEN O'DONNELL  
individually and as representatives of a class  
of similarly-situated persons and entities,

Case No. 22- -CZ

Plaintiffs,

v.

CITY OF SOUTHGATE, MICHIGAN,  
a municipal corporation,

Defendant.

---

Gregory D. Hanley (P51204)  
Jamie Warrow (P61521)  
Edward F. Kickham Jr. (P70332)  
Kickham Hanley PLLC  
32121 Woodward Avenue, Suite 300  
Royal Oak, MI 48073  
(248) 544-1500  
ghanley@kickhamhanley.com  
jwarrow@kickhamhanley.com  
ekickhamjr@kickhamhanley.com  
Counsel for Plaintiffs and the Class

Shawn Head (P72599)  
Marco C. Masciulli (P77502)  
The Head Law Firm, PLC  
34705 W 12 Mile Rd Ste 160  
Farmington Hills, MI 48331  
(248) 939-5405  
Co-Counsel for Plaintiffs and the Class

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**There is no other pending or resolved civil action between these parties arising out  
of the transaction or occurrence alleged in this Complaint.**

**PLAINTIFFS' CLASS ACTION COMPLAINT  
TO ENFORCE THE HEADLEE AMENDMENT  
PURSUANT TO CONST 1963, ART 9, § 32**

**EXHIBITS 5 - 8**

# EXHIBIT - 5



## [No. 16.]

AN ACT to amend the title and sections 1, 2, 6, 7, 8, 9, 11 and 12 of Act No. 345 of the Public Acts of 1937, entitled "An act to provide for the establishment, maintenance and administration of a system of pensions and retirements for the benefit of the personnel of fire and police departments, employed by cities, villages or municipalities having full paid members in such departments, and for the widows and children of such members, and to provide for the creation of a board of trustees to manage and operate same; to authorize appropriations and deductions from salaries; and to repeal all acts and parts of acts inconsistent therewith," as amended, being sections 38.551, 38.552, 38.556, 38.557, 38.558, 38.559, 38.561 and 38.562, respectively, of the Compiled Laws of 1948.

*The People of the State of Michigan enact:*

**Title and sections amended.**

Section 1. The title and sections 1, 2, 6, 7, 8, 9, 11 and 12 of Act No. 345 of the Public Acts of 1937, as amended, being sections 38.551, 38.552, 38.556, 38.557, 38.558, 38.559, 38.561 and 38.562, respectively, of the Compiled Laws of 1948, are hereby amended to read as follows:

**TITLE**

An act to provide for the establishment, maintenance and administration of a system of pensions and retirements for the benefit of the personnel of fire and/or police departments, employed by cities, villages or municipalities having full paid members in such departments, and for the widows and children of such members, and to provide for the creation of a board of trustees to manage and operate same; to authorize appropriations and deductions from salaries; and to repeal all acts and parts of acts inconsistent therewith.

**38.551 Fire and police department pension system; retirement board; members, election, appointment, term. [M.S.A. 5.3375(1)]**

Sec. 1. The retirement board (also referred to in this act as the pension board) created hereunder shall be known as "The retirement board" and shall be a corporate body, consisting of 5 members, which shall consist of:

- (1) The treasurer of the city, village or municipality, so affected hereby.
- (2) Two additional members, 1 of whom shall be elected by a majority vote of the members of the fire department, and 1 of whom shall be elected by a majority vote of the members of the police department under such rules and regulations as the retirement board shall adopt to govern such election. Each such member shall serve for a term of 4 years, except that in the first instance, the member elected by the police department shall serve for a term of 2 years and thereafter 1 member shall be so elected every 2 years, the police and fire departments alternating: Provided, That if in the first instance only the fire department or only the police department are included in the retirement plan, the 2 additional members shall be elected from that department and the candidate receiving the highest number of votes shall be elected for the 4 year term and the candidate receiving the second highest number of votes shall be elected for the 2 year term.

- (3) Two additional members shall be appointed by the legislative body or another person or body authorized by the city or village charter to appoint administrative officials in any city or village affected by the provisions of this act.

**38.552 Powers and duties of board. [M.S.A. 5.3375(2)]**

Sec. 2. The retirement board created hereunder shall have power, and it shall be its duty to:

- (1) Make all rules and regulations necessary to the proper conduct of the business of the retirement system under the provisions of the law.
- (2) Retain such legal, medical, actuarial, clerical, or other service as may be necessary for the conduct of the affairs of the retirement system; and make compensations for such services.

(3) Cause such amounts as may be set forth in the law to be deducted from the salaries of active members of the retirement system and paid into the treasury of the retirement system.

(4) Certify to the governing body of the city, village or municipality the amount to be contributed by the city, village or municipality as provided in this act.

(5) Cause the examination of every disability pensioner or beneficiary under age 55 years to be made at least once a year for the first 5 years following his retirement, and at least once every 3 years thereafter, until his attainment of age 55 years.

(6) Keep all records of its meetings and proceedings, and shall hold meetings at least once each month, which shall be open to the public.

(7) The board shall elect 1 of its members to be president and 1 of its members to be secretary thereof, annually.

(8) Disburse the pensions and other benefits payable under this act.

(9) No member of the board shall receive any additional compensation for his services as a board member.

**38.556 Pensions and benefits payable; options. [M.S.A. 5.3375(6)]**

Sec. 6. Pensions and benefits payable under this act shall be as follows:

(1) Age and service retirement:

(a) Any member aged 55 years or older who has 25 or more years of service as a policeman or fireman in the employ of the city, village or municipality affected by the provisions of this act, may retire from service upon his written application to the board setting forth at what time, not less than 30 days nor more than 90 days subsequent to the execution and filing thereof, he desires to be retired and the board shall grant him the benefits to which he may be entitled under the provisions of this act.

(b) Any member aged 60 years or older shall be retired by the retirement board upon the written application of the legislative body, or board or official provided in the charter of the city, village or municipality as head of the department in which the said member is employed. Upon his retirement, the retirement board shall grant him the benefits to which he may be entitled under the provisions of this act.

(c) Any member who has attained age 65 years shall be retired by the board on the 1st day of the month following his attainment of age 65 years or January 1, 1948, whichever date is later.

(d) Upon retirement from service as provided in subsection (1) of this section, a member shall receive a regular retirement pension payable for life of 2 per cent of his average final compensation multiplied by the number of years of service credited to him, not to exceed 25 years: Provided, That in no event shall the amount of any member's pension exceed \$1,800.00 per annum. In event a retired member dies before the total of his regular pension payments received by him equals or exceeds the total of his contributions made to the retirement system, the remainder, if any, shall be paid in a single sum to such person or persons as he shall have nominated by written designation duly executed and filed with the board. If there be no such designated person or persons surviving, then such remainder, if any, shall be paid to the retired member's legal representative.

(e) "Average final compensation" shall mean the average of the highest annual compensation received by a member during a period of 5 consecutive years of service contained within his 10 years of service immediately preceding his retirement. If he has less than 5 years of service, then average final compensation shall mean the annual average compensation received by him during his total years of service.

(f) When computing a member's service credit he shall be given credit for time spent in the military, naval, marine or other armed service of the United States government during time of war, or other national emergency recognized by the board: Provided, (1) That he was employed by the city, village or municipality at the time of his entry into such armed service, and (2) that he is or was reemployed by the city, village or municipality as a policeman or fireman within 6 months following the date of termination of his required enlistment or assignment in such armed service. A member shall be given service credit for the time he is absent from active service without full pay on account of sickness or injury:

Provided, That in event his absence from active service is due to non-service connected sickness or injury, no more than 60 days of such absence shall be credited as service in any 1 calendar year, as determined by the board.

(g) Prior to the effective date of his retirement as provided in subsection (1) of this section, but not thereafter, any member may elect to receive his benefit in a pension payable throughout life (to be known as a regular retirement pension); or he may elect to receive the actuarial equivalent, at that time, of his regular retirement pension in a reduced retirement pension payable throughout life in accordance with the provisions of option I or II as hereinafter set forth. In event a member fails to elect an option prior to the effective date of his retirement, then his pension shall be paid to him as a regular retirement pension.

Option I. Upon the death of a retired member who elected this option his reduced retirement pension shall be continued throughout the life of and paid to such person, having an insurable interest in his life, as he shall have nominated by written designation duly executed and filed with the board prior to his retirement; or

Option II. Upon the death of a retired member who elected this option,  $\frac{1}{2}$  his reduced retirement pension shall be continued throughout the life of and paid to such person, having an insurable interest in his life, as he shall have nominated by written designation duly executed and filed with the board prior to his retirement.

(2) Disability and service-connected death benefits:

(a) To widows, a duty death pension of the same amount each week as that which has been paid her under the provisions of the workmen's compensation act, to become due and payable on the termination of the payments to her by said municipality under the provisions of the workmen's compensation act, and to continue for her life or until her remarriage.

(b) In the event that death results to a member in line of duty, who shall leave surviving children, said children shall be paid a pension of the same amount as that which has been paid to them as a weekly benefit under the workmen's compensation act, to become due and payable upon termination of the payments under the provisions of the workmen's compensation act, and to continue to each surviving child until he or she attains age 18 years, or his or her marriage or death prior to age 18 years.

(c) In the event that death results to a member in line of duty who shall leave surviving him other dependents, such dependents shall receive a pension of the same amount as that which has been paid to them as a weekly benefit under the workmen's compensation act, to become due and payable upon termination of the payments under the workmen's compensation act and to continue until such time as the board shall determine that the need for pension or pensions no longer exists.

(d) Upon the application of a member, or his department head, a member who becomes totally incapacitated for duty by reason of a personal injury or disease occurring as the natural and proximate result of causes arising out of and in the course of his employment by the city, village or municipality shall be retired by the retirement board: Provided, That after a medical examination of said member made by a medical committee, consisting of a physician named by the retirement board, a physician named by the member claiming benefits, and a third physician designated by the first 2 physicians so named, the said medical committee, by a majority opinion, certifies in writing (1) that the said member is mentally or physically incapacitated for the further performance of duty as a policeman or fireman in the service of the city, village or municipality, and (2) that such incapacity is likely to be permanent, and (3) that said member should be retired. Upon retirement for disability as provided in this paragraph, a member who has not attained age 55 years shall receive a disability retirement pension of 50 per cent of his average final compensation; said average final compensation to be determined according to the provisions of subsection (1), paragraph (e) of this section; a member who has attained age 55 years shall receive a disability pension of 2 per cent of his average final compensation multiplied by the number of years of service credited to him, not to exceed 25 years: Provided, That in no event shall the amount of any member's pension exceed \$1,800.00 per annum. The disability pension provided for in this paragraph shall be subject to the provisions of paragraphs (f) and (g) of this subsection (2).

(e) Upon the application of a member, or his department head, a member in service who has 10 or more years of service credit becomes totally and permanently incapacitated for duty by reason of a personal injury or disease occurring as the result of causes arising outside the course of his employment by the city, village or municipality may be retired by the retirement board: Provided, That after a medical examination of said member made by a medical committee, consisting of a physician named by the retirement board, a physician named by the member claiming benefits, and a third physician designated by the first 2 physicians so named, the said medical committee, by a majority opinion certifies in writing (1) that the said member is mentally or physically incapacitated for the further performance of duty as a policeman or fireman in the service of the city, village or municipality, and (2) that such incapacity is likely to be permanent, and (3) that said member should be retired. Upon retirement for disability, as provided in this paragraph, a member who has not attained age 55 years shall receive a disability retirement pension to his attainment of age 55 years, or prior recovery or death, of 1.5 per cent of his average final compensation multiplied by the number of years of service credited to him, not to exceed 25 years; upon attaining age 55 years his disability retirement pension shall be increased to 2 per cent of his average final compensation multiplied by the number of years of service credited to him at the time of his retirement, not to exceed 25 years. Upon retirement for disability as provided in this paragraph, a member who has attained age 55 years shall receive a disability pension of 2 per cent of his average final compensation multiplied by the number of years of service credited to him not to exceed 25 years. In no event shall the amount of any retired member's pension payable under this paragraph exceed \$1,800.00 per annum. The provisions of this paragraph shall be subject to the provisions of paragraphs (f) and (g) of this subsection (2).

(f) At least once each year during the first 5 years following the retirement of a member with a disability retirement pension and at least once in every 3 year period thereafter, the board may, and upon the retired member's application shall, require any retired member who has not attained age 55 years to undergo a medical examination to be made by or under the direction of a physician, designated by the board, at the place of residence of the said retired member or other place mutually agreed upon. Should any retired member who has not attained age 55 years refuse to submit to such medical examination in any such period, his disability retirement pension may be discontinued by the board and should such refusal continue for 1 year all his rights in and to his disability retirement pension may be revoked by the board. If upon such medical examination of said retired member the said physician reports to the board that the said retired member is physically able and capable of resuming employment in the classification held by him at the time of his retirement, he shall be restored to active service in the employ of the city, village or municipality and payment of his disability pension shall cease: Provided, The report of the physician is concurred in by the board. A retired member so restored to active service shall from the date of his return to service again become a member of the retirement system and he shall contribute to the retirement system thereafter in the same manner as prior to his disability retirement. Any service credited to him at the time of his disability retirement shall be restored to full force and effect. He shall be given service credit for the period he was receiving a duty disability pension provided for in paragraph (d) of this subsection (2); he shall not be given service credit for the period he was receiving a non-duty disability pension provided for in paragraph (e) of this subsection (2). Any amounts paid under the provisions of the workmen's compensation act of the state of Michigan, to a retired member shall be offset against and payable in lieu of any benefits provided under the provisions of this act. In the event the benefits under the compensation act are less than the benefits payable under this act, then the amount to be paid out of the funds of the retirement system shall be the difference between the benefits provided under the compensation act and the benefits herein provided. Upon the termination of benefits under the compensation act, then and thereafter benefits shall be paid in full accordance with the provisions of this act.

(g) Within 60 days prior to his attainment of age 55 years, or prior to his retirement



from service if his retirement occurs after his attainment of age 55 years, a disabled member who is retired as provided in paragraph (d) or (e) of this subsection (2) may elect to continue to receive his disability retirement pension as a benefit terminating at death (to be known as a regular disability pension), or he may elect to receive the actuarial equivalent, at that time, of his regular disability retirement pension in a reduced disability retirement pension payable throughout life in accordance with the provisions of option I or II provided in paragraph (g) of subsection (1) of this section. In event a disabled member fails to elect an option, as herein provided, prior to his attainment of age 55 years or prior to his retirement if his retirement occurred after his attainment of age 55 years, then his disability retirement pension shall be paid to him as a regular disability pension terminating at his death. In event a disabled member who has not elected option I or II dies before the total of his regular disability pension payments received by him equals or exceeds the total of his contributions made to the retirement system, the remainder, if any, shall be paid in a single sum to such person or persons as he shall have nominated by written designation duly executed and filed with the board. If there be no such designated person or persons surviving, then such remainder, if any, shall be paid to the retired member's legal representative.

**38.557 Act of duty defined; municipality, definition. [M.S.A. 5.3375(7)]**

Sec. 7. "An act of duty" shall be defined:

"Any act performed by a fireman or policeman arising out of and in the course of his employment as such, or the performance of any act pertinent or incidental to the work of a fireman or policeman, regardless of time or place."

The term "municipality" shall be construed to include townships, charter townships, cities and incorporated villages.

**38.558 Refunds of salary contributions. [M.S.A. 5.3375(8)]**

Sec. 8. Refunds of salary contributions:

(1) Should a fireman or policeman die before being placed on pension, the total amount of his salary deductions, with simple interest as the board may determine, but not to exceed 2 per cent per annum, shall be payable to such person or persons as he shall have nominated by written designation duly executed and filed with the board; if there be no such designated person or persons surviving, then the total of his salary deductions shall be paid to his legal representative.

(2) Should a fireman or policeman become separated from the service before being eligible for retirement, he shall be paid the total of his contributions together with simple interest as the board may determine, but not to exceed 2 per cent per annum credited to him upon his written request for such refund. Should such an individual again become employed by the city, village or municipality as a policeman or fireman he shall, within 1 year following his reemployment, repay to the retirement system the amount previously withdrawn by him together with simple interest at 2 per cent per year.

**38.559 Revenues and accumulations of an adequate reserve. [M.S.A. 5.3375(9)]**

Sec. 9. Revenues and accumulations of an adequate reserve:

(1) The contributions of a member to the retirement system shall be 5 per cent of the salary paid to him by the city, village or municipality. The officer or officers responsible for making up the payroll shall cause the contributions provided for in this paragraph to be deducted from the salary of each member on each and every payroll for each and every payroll period so long as he remains an active member in the employ of the city, village or municipality and each of said amounts when deducted shall be paid into the funds of the retirement system. The members' contributions provided for herein shall be made notwithstanding that the minimum salary provided for by law shall be changed thereby. Every member shall be deemed to consent and to agree to the deductions made and provided for herein and shall receipt for his full salary and payment of his salary less said deduction which shall be a full and complete discharge and acquittance of all claims and demands for the services rendered by such member during the period covered by such payment, except as to benefits provided by this retirement system.



(2) For the purpose of creating and maintaining a fund for the payment of the pensions and other benefits payable hereunder, the said city, village or municipality, subject to the provisions of this act, shall appropriate, at the end of such regular intervals as may be adopted, quarterly, semi-annually, or annually, an amount sufficient to maintain actuarially determined reserves covering pensions payable or which might be payable on account of service performed and to be performed by active members and pensions being paid retired members and beneficiaries: Provided, That the appropriations to be made by the said city, village or municipality in any fiscal year shall be sufficient to pay all pensions due and payable in that fiscal year to all retired members and beneficiaries: Provided further, That in no event shall the amount of such appropriation in any fiscal year be less than 10 per cent of the aggregate pays received during the said fiscal year by members of the retirement system unless by actuarial determination it is satisfactorily established that a lesser percentage is needed. All such deductions and appropriations shall be payable to the treasurer of said city, village or municipality and by him to be paid into the retirement system hereunder. Except in cities which are subject to the 15 mill tax limitation as provided by article 10, section 21 of the state constitution, the amount required by taxation to meet the appropriations to be made by cities, villages and municipalities under the provisions of this act shall be in addition to any tax limitation imposed upon tax rates in such cities, villages and municipalities by charter provisions or by state law.

(3) If, at the beginning or during any fiscal year, it has been satisfactorily determined by the retirement board that the accumulated funds of the retirement system plus the city's, village's or municipality's contribution of 10 per cent of the aggregate pays received during the said fiscal year by members of the retirement system plus members' contributions of 5 per cent of payroll, be insufficient to pay all pensions and other benefits due and payable in said year out of funds of the retirement system, then all pensions and other benefits payable shall be prorated for the remainder of the fiscal year by the board.

(4) Any clerical, legal, actuarial, or medical expenses required by the board, or any other necessary expense for the operation of the retirement system, shall be provided for by the city, village or municipality.

(5) All pensions allowed and payable to retired members and beneficiaries under the provisions of Act No. 345 of the Public Acts of 1937, as amended, being sections 38.551 to 38.562, inclusive, of the Compiled Laws of 1948, shall become obligations of and be payable from the funds of the retirement system.

(6) The right of any person to a pension, to the return of contributions, any optional benefits, any other right accrued or accruing to any member or beneficiary under the provisions of this act and the moneys belonging to the retirement system shall be unassignable and shall not be subject to execution, garnishment, attachment, the operation of bankruptcy or insolvency law, or any other process of law whatsoever, except as is specifically provided in this act.

**38.561 Referendum; township or charter township. [M.S.A. 5.3375(11)]**

Sec. 11. At any time after this act shall become effective, any city, village or municipality having a paid or part paid fire or police department, may come under the provisions of this act and create a pension board hereunder by submitting the same to the electors of any such city, village or municipality at any regular or special election for adoption, in the manner provided by law for amending charters: Provided, That this act shall not become effective until the beginning of the next succeeding fiscal year after such adoption of the provisions of this act by any city, village or municipality: Provided further, That where no provision is made in the charter of the city, village or municipality for amending said charters, this act may be submitted for adoption in accordance with any law authorizing the amending of the charters of cities: Provided further, That in case of a township or charter township, this act shall be submitted to the qualified electors of such township or townships by the township board on the filing of a petition requesting the submission, signed by 10 per cent of the registered and qualified electors in such township or charter township, at any general election or special election called for that purpose by the township board, in accordance with the laws of this state, and this act shall be in force and effect

in any such township or charter township if a majority of the electors voting on such proposition, as determined by the canvass of votes cast, shall vote in favor thereof.

**38.562 Membership of retirement system; inclusions, exclusions. [M.S.A. 5.3375(12)]**

Sec. 12. (1) The membership of the retirement system created by the city, village or municipality so affected by this act shall include all policemen and firemen employed by the city, village or municipality. Any policeman or fireman, who is a member of the retirement system, (1) who is transferred from the classification of a policeman or fireman to a civilian position within the police or fire department or (2) who is transferred from the police or fire department of the city, village or municipality to another department of the city, village or municipality by an officer or body of such city, village or municipality authorized to make such transfer, shall continue a member of this retirement system covering policemen and firemen, and shall be subject to all provisions of said retirement system: Provided, That in event the officers and employees of the department to which said individual is transferred are now or may be hereafter covered by an annuity pension, or retirement system to which the said city, village or municipality makes contributions and said individual so transferred becomes entitled to membership in said system, he shall thereupon cease to be a member of this policemen and firemen retirement system.

(2) The membership of the retirement system shall not include (1) volunteer firemen, (2) privately employed policemen and firemen, (3) persons temporarily employed during emergencies, nor (4) civilian employees of the police and fire departments, except as provided in subsection (1) of this section.

This act is ordered to take immediate effect.

Approved March 30, 1951.

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[No. 17.]

AN ACT to amend section 45 of Act No. 172 of the Public Acts of 1929, entitled as amended "An act to revise the laws relating to the making, approving, filing, recording, altering and vacating of plats; to require the recording of plats on subdivided properties; to provide for reserving easements for utilities in vacated streets and alleys; to provide penalties for the violation thereof; and to repeal certain acts," being section 560.45 of the Compiled Laws of 1948.

*The People of the State of Michigan enact:*

Section amended.

Section 1. Section 45 of Act No. 172 of the Public Acts of 1929, being section 560.45 of the Compiled Laws of 1948, is hereby amended to read as follows:

**560.45 Register of deeds; plat book and plat file, official record. [M.S.A. 26.475]**

Sec. 45. The register of deeds upon receipt of a plat from the auditor general, shall fasten the plat in a book of the proper size for such paper so that it shall not be folded, which book shall be strongly bound, having rigid covers, or the plat may be filed in a plat file having drawers or compartments which will contain not more than 50 sheets of plats each, without folding, in which case each drawer or compartment shall be given a book number and each plat sheet a page number and, whichever used, provided at the expense of the county. The copy so fastened or filed shall be held and taken to be a record of the plat, with like effect as if the plat had been transcribed by the register of deeds in a book in his office.

Approved April 5, 1951.

# EXHIBIT - 6



# City of Southgate Policemen and Firemen Retirement System

67th Actuarial Valuation Report  
as of June 30, 2021



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January 5, 2022

Retirement Board  
City of Southgate Policemen and Firemen  
Retirement System  
Southgate, Michigan

**Re: City of Southgate Policemen and Firemen Retirement System Annual Actuarial Valuation  
as of June 30, 2021**

Dear Board Members:

The results of the June 30, 2021 Annual Actuarial Valuation of the City of Southgate Policemen and Firemen Retirement System are presented in this report.

This report was prepared at the request of the Board and is intended for use by the Retirement System and those designated or approved by the Board. This report may be provided to parties other than the System only in its entirety and only with the permission of the Board. GRS is not responsible for unauthorized use of this report.

The purposes of the valuation are to measure the System's funding progress, to determine the employer contribution rate for the fiscal year ending June 30, 2023, and to determine the excess earnings reserve balance as of June 30, 2021. This report should not be relied on for any purpose other than the purposes described herein. Determinations of financial results, associated with the benefits described in this report, for purposes other than those identified above may be significantly different.

The computed contribution amount shown in this report is determined using the actuarial assumptions and methods disclosed in Section C of this report. This report includes risk metrics on page A-8 and in Appendix II, but does not include a more robust assessment of the risks of future experience not meeting the actuarial assumptions. Additional assessment of risks was outside the scope of this assignment.

This valuation assumed the continuing ability of the plan sponsor to make the contributions necessary to fund this plan. A determination regarding whether or not the plan sponsor is actually able to do so is outside our scope of expertise and was not performed.

The findings in this report are based on data and other information through June 30, 2021. The valuation was based upon information furnished by the Plan Administrator and City concerning Retirement System benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal reasonability and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the Plan Administrator and City.



This report was prepared using assumptions adopted by the Board. All actuarial assumptions used in this report are reasonable for the purposes of this valuation. All actuarial assumptions and methods used in the valuation follow the guidance in the applicable Actuarial Standards of Practice. Additional information about the actuarial assumptions is included in the section of this report entitled Actuarial Cost Methods and Assumptions.

This report was prepared using our proprietary valuation model and related software, which in our professional judgment, has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

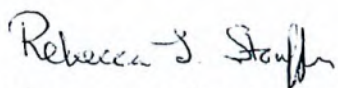
This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the City of Southgate Policemen and Firemen Retirement System as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

Rebecca L. Stouffer and James D. Anderson are Members of the American Academy of Actuaries (MAAA). These actuaries meet the Academy's Qualification Standards to render the actuarial opinions contained herein.

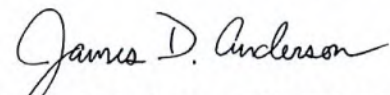
The signing actuaries are independent of the plan sponsor.

Gabriel, Roeder, Smith & Company will be pleased to review this valuation and report with the Board of Trustees and to answer any questions pertaining to the valuation.

Respectfully submitted,  
Gabriel, Roeder, Smith & Company



Rebecca L. Stouffer, ASA, FCA, MAAA



James D. Anderson, FSA, FCA, EA, MAAA

RLS/JDA:rmn





## SECTION A

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### VALUATION RESULTS

## Funding Objective

The funding objective of the Retirement System is to establish and receive contributions, expressed as percents of active member payroll, which will remain reasonably stable from year-to-year and will fund pensions over the working lifetimes of participants.

## Contribution Rates

The Retirement System is supported by member contributions, City contributions and investment income from Retirement System assets.

Contributions which satisfy the funding objective are determined by the annual actuarial valuation and are sufficient to:

- (1) Cover the actuarial present value of benefits allocated to the current year by the actuarial cost method described in Section C (the normal cost); and
- (2) Finance over a period of future years the actuarial present value of benefits not covered by valuation assets and anticipated future normal costs (unfunded actuarial accrued liability).

**Computed contribution rates** for the fiscal year beginning July 1, 2022 are shown on page A-2.

## City's Computed Contributions

Contributions for	% of Covered Payroll*	
	For the Fiscal Year Beginning July 1,	
	2022	Revised 2021
Normal Cost of Benefits:		
Age and service	17.56 %	19.12 %
Death before retirement	0.33 %	0.34 %
Disability	1.16 %	1.15 %
Future refunds of member contributions	0.35 %	0.35 %
Total	19.40 %	20.96 %
Members' Contributions	8.08 %	8.01 %
City's Normal Cost	11.32 %	12.95 %
Unfunded Actuarial Accrued Liabilities (UAAL)	88.76 %	85.36 %
<b>Total City Contribution# - %</b>	<b>100.08 %</b>	<b>98.31 %</b>
- \$	<b>\$5,400,300</b>	<b>\$5,198,357</b>

\* Comparative contribution rates for prior fiscal years are shown on page A-9.

# All fiscal calculations are based on the valuation payroll including increases in payroll at the assumed rate of wage inflation. The dollar amount is adjusted for the lag in time between the valuation date and payment date.

The Unfunded Actuarial Accrued Liabilities (UAAL) were amortized as a level percent of member payroll by source of UAAL. The components of the UAAL contribution are shown below for the fiscal year beginning July 1, 2022.

UAAL % as of Fiscal Year Beginning July 1, 2022				
Source of UAAL	Rem. Amort. Period	Outstanding Balance	Amortization Payment	UAAL Pmt %
2019 Early Retirements	3	\$ 49,730	\$ 17,801	
2020 Legacy UAAL	6	\$ 22,519,890	\$ 4,260,607	
2020 Asm Change	14	\$ 3,961,777	\$ 370,522	
2021 Early Retirements	5	\$ 500,000	\$ 111,448	
2021 Experience	15	\$ 329,752	\$ 29,286	
Total		\$ 27,361,149	\$ 4,789,664	88.76%

## Determination of Unfunded Actuarial Accrued Liability

	June 30,	
	2021	Revised 2020
A. Accrued Liability		
1. For retirees and beneficiaries	\$64,183,868	\$58,680,275
2. For vested terminated members	252,338	894,734
3. For present active members		
a. Value of expected future benefit payments	27,595,507	30,850,703
b. Value of future normal costs	10,322,447	10,123,534
c. Active member accrued liability: (a) - (b)	17,273,060	20,727,169
4. Total accrued liability	81,709,266	80,302,178
B. Present Assets (Funding Value)*	51,814,168	49,226,234
C. Unfunded Actuarial Accrued Liability: (A.4) - (B)	29,895,098	31,075,944
D. Funding Ratio: (B) / (A.4)	63.4%	61.3%
E. Funding Ratio: Market Value Basis	69.5%	55.6%

\* Net of Excess Earnings Reserve of \$212,884 for June 30, 2021, and \$240,484 for June 30, 2020.



## Development of Funding Value of Assets

Year Ended June 30:	2018	2019	2020	2021	2022	2023	2024
A. Funding Value Beginning of Year	\$44,843,750	\$46,148,162	\$47,566,458	\$49,466,718			
B. Market Value End of Year	46,782,048	46,799,259	44,862,168	56,996,971			
C. Market Value Beginning of Year	43,250,895	46,782,048	46,799,259	44,862,168			
D. Non-Investment Net Cash Flow	(624,967)	(951,352)	(481,403)	(1,925,792)			
E. Investment Income							
E1. Market Total: B - C - D	4,156,120	968,563	(1,455,688)	14,060,595			
E2. Assumed Rate of Investment Return	7.25%	7.25%	7.25%	7.00%			
E3. Amount for Immediate Recognition	3,228,517	3,311,255	3,431,117	3,395,268			
E4. Amount for Phased-In Recognition: E1-E3	927,603	(2,342,692)	(4,886,805)	10,665,327			
F. Phased-In Recognition of Investment Income							
F1. Current Year: $0.25 \times E4$	231,901	(585,673)	(1,221,701)	2,666,332			
F2. First Prior Year	526,018	231,901	(585,673)	(1,221,701)	\$ 2,666,332		
F3. Second Prior Year	(1,113,854)	526,018	231,901	(585,673)	(1,221,701)	\$ 2,666,332	
F4. Third Prior Year	(943,203)	(1,113,853)	526,019	231,900	(585,673)	(1,221,702)	\$2,666,331
F5. Total Recognized Investment Gain	(1,299,138)	(941,607)	(1,049,454)	1,090,858	858,958	1,444,630	2,666,331
G. Funding Value End of Year							
G1. Preliminary Funding Value End of Year: (A+D+E3+F5)	46,148,162	47,566,458	49,466,718	52,027,052			
G2. Upper Corridor Limit: $120\% \times B$	56,138,458	56,159,111	53,834,602	68,396,365			
G3. Lower Corridor Limit: $80\% \times B$	37,425,638	37,439,407	35,889,734	45,597,577			
G4. Adjustment to Funding Value	0	0	0	0			
G5. Funding Value End of Year	46,148,162	47,566,458	49,466,718	52,027,052			
H. Difference between Market & Funding Value: B-G5	633,886	(767,199)	(4,604,550)	4,969,919			
I. Recognized Rate of Return	4.3 %	5.2 %	5.0%	9.3%			
J. Market Rate of Return	9.7%	2.1%	(3.1)%	32.0 %			
K. Ratio of Funding Value to Market Value	98.6 %	101.6 %	110.3 %	91.3 %			

The Funding Value of Assets recognizes assumed investment income (line E3) fully each year. Differences between actual and assumed investment income (line E4) are phased-in over a closed four-year period. During periods when investment performance exceeds the assumed rate, Funding Value of Assets will tend to be less than Market Value. During periods when investment performance is less than the assumed rate, Funding Value of Assets will tend to be greater than Market Value. The Funding Value of Assets is unbiased with respect to Market Value. At any time, it may be either greater or less than Market Value. If actual and assumed rates of retirement income are exactly equal for three consecutive years, the Funding Value will become equal to Market Value.

## Derivation of Experience Gain/(Loss) Years Ended June 30, 2021 and 2020

Actual experience will never (except by coincidence) coincide exactly with assumed experience. Gains and losses often cancel each other over a period of years, but sizable year-to-year fluctuations are common. Detail on the derivation of the experience gain/(loss) is shown below:

	2020-2021	Revised 2019-2020
(1) UAAL* at start of year	\$ 31,075,944	\$ 28,151,772
(2) Employer normal cost from last valuation	664,815	655,673
(3) Actual employer contributions	4,639,422	4,998,995
(4) Interest accrual^: $[(1) + 1/2[(2) - (3)]] * 7.00\%$	2,036,205	1,883,558
(5) Expected UAAL before changes: (1)+(2)-(3)+(4)	29,137,542	25,692,008
(6) Effect of Benefit Changes	500,000	101,033
(7) Effect of Assumption Changes	0	3,826,015
(8) Excess Earnings transferred to Excess Earnings Reserve Fund	0	0
(9) Expected UAAL after changes: (5)+(6)+(7)+(8)	29,637,542	29,619,056
(10) Actual UAAL at end of year	29,895,098	31,075,944
(11) Gain/(loss): (9)-(10)	(257,556)	(1,456,888)
(12) Gain/(loss) as percent of actuarial accrued liabilities at start of year (\$80,302,178)	(0.3)%	(1.9)%

\* *Unfunded Actuarial Accrued Liabilities.*

^ *Interest accrual for 2019-2020 was 7.25%.*



## Summary Statement of System Resources and Obligations for the Years Ending June 30, 2021 and 2020

### Present Resources and Expected Future Resources

	2021	Revised 2020
A. Present valuation assets		
1. Net assets from System financial statements	\$56,996,971	\$44,862,168
2. Market value adjustment	(4,969,919)	4,604,550
3. Valuation assets	52,027,052	49,466,718
B. Actuarial present value of expected future employer contributions		
1. For normal costs	5,657,900	5,926,945
2. For unfunded actuarial accrued liability	29,895,098	31,075,944
3. Total	35,552,998	37,002,889
C. Actuarial present value of expected future member contributions	4,664,547	4,196,589
D. Total present and expected future resources	\$92,244,597	\$90,666,196

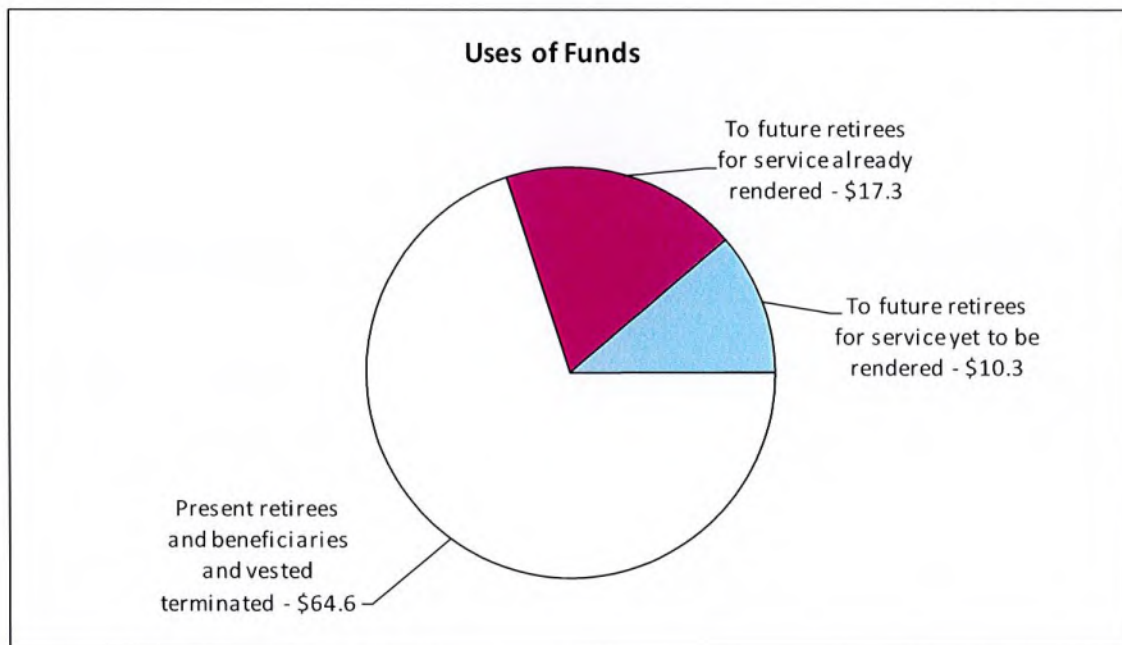
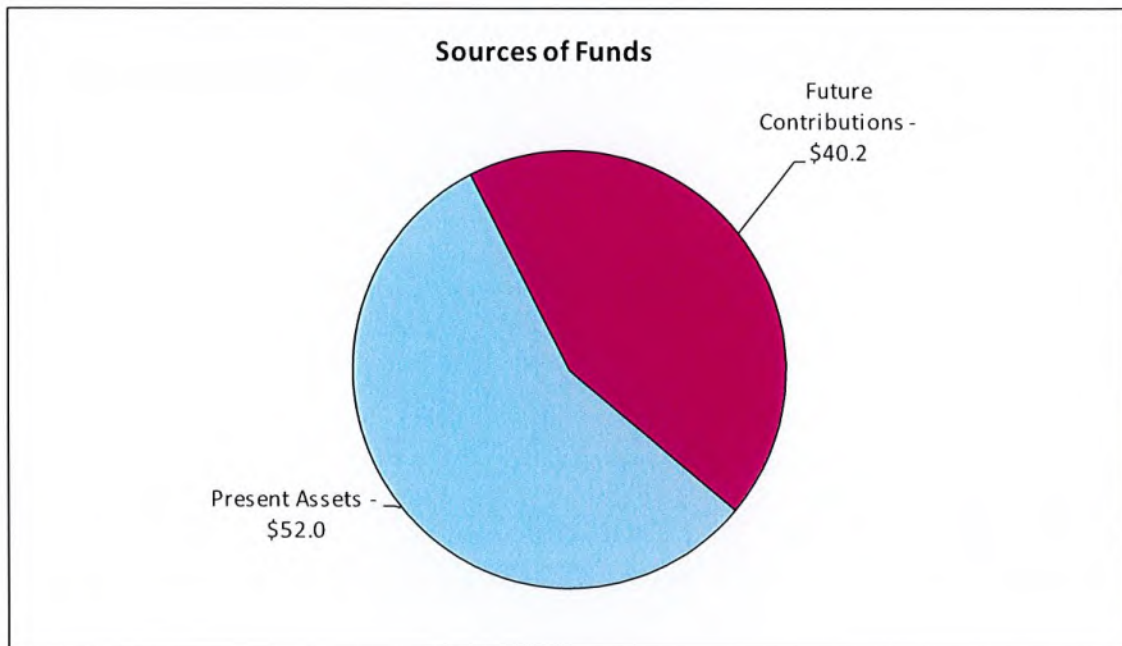
### Actuarial Present Value of Expected Future Benefit Payments

	2021	Revised 2020
A. To retirees and beneficiaries #	\$64,396,752	\$58,920,759
B. To vested terminated members	252,338	894,734
C. To present active members		
1. Allocated to service rendered prior to valuation date - actuarial accrued liability	17,273,060	20,727,169
2. Allocated to service likely to be rendered after valuation date	10,322,447	10,123,534
3. Total	27,595,507	30,850,703
D. Total actuarial present value of expected future pension payments	\$92,244,597	\$90,666,196

# Includes excess earnings reserve fund.



## Financing \$92.2 Million of Benefit Promises June 30, 2021





# Actuarial Accrued Liabilities & Assets

## Comparative Statement

Valuation Date <sup>1</sup>	Valuation Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Valuation Payroll	Ratio of Valuation Assets to AAL	Amortization Period(s)	Ratio of Valuation Assets to Valuation Payroll	Ratio of AAL to Valuation Payroll	Ratio of UAAL to Valuation Payroll
06-30-02	\$ 55,156,131	\$ 47,533,958	\$ (7,622,173)	\$ 4,898,127	116.0 %		1,126.1 %	970.5 %	-
06-30-03#	50,720,650	50,848,534	127,884	4,490,451	99.7 %		1,129.5 %	1,132.4 %	2.8 %
06-30-04*	47,582,175	52,671,475	5,089,300	5,065,923	90.3 %		939.3 %	1,039.7 %	100.5 %
06-30-05	45,763,955	53,877,816	8,113,861	5,239,288	84.9 %		873.5 %	1,028.3 %	154.9 %
06-30-06	46,566,532	56,806,766	10,240,234	5,281,801	82.0 %	20	881.6 %	1,075.5 %	193.9 %
06-30-07	49,164,698	59,119,680	9,954,982	5,438,968	83.2 %	19	903.9 %	1,087.0 %	183.0 %
06-30-08#	50,436,365	57,187,103	6,750,738	5,759,174	88.2 %	18	875.8 %	993.0 %	117.2 %
06-30-09#	45,271,102	58,953,581	13,682,479	5,847,595	76.8 %	17	774.2 %	1,008.2 %	234.0 %
06-30-10	43,827,980	61,186,413	17,358,433	5,532,619	71.6 %	16	792.2 %	1,105.9 %	313.7 %
06-30-11	42,616,916	63,999,867	21,382,951	4,922,456	66.6 %	15	865.8 %	1,300.2 %	434.4 %
06-30-12	40,675,521	64,233,512	23,557,991	4,889,791	63.3 %	14	831.9 %	1,313.6 %	481.8 %
06-30-13	41,888,768	65,718,329	23,829,561	4,966,288	63.7 %	13	843.5 %	1,323.3 %	479.8 %
06-30-14	44,251,466	66,847,581	22,596,115	5,047,949	66.2 %	12	876.6 %	1,324.3 %	447.6 %
06-30-15#	44,321,849	67,893,830	23,571,981	4,633,108	65.3 %	11 5	956.6 %	1,465.4 %	508.8 %
06-30-16*	43,967,577	71,668,730	27,701,153	4,745,297	61.3 %	10 4	926.6 %	1,510.3 %	583.8 %
06-30-17	44,843,750	72,751,896	27,908,146	4,841,046	61.6 %	9 3	926.3 %	1,502.8 %	576.5 %
06-30-18	46,148,162	73,974,981	27,826,819	5,105,443	62.4 %	8 2	903.9 %	1,448.9 %	545.0 %
06-30-19#	47,566,458	75,718,230	28,151,772	5,266,008	62.8 %	7 1 5	903.3 %	1,437.9 %	534.6 %
06-30-20**	49,466,718	80,542,662	31,075,944	4,984,183	61.4 %	7 4 15	992.5 %	1,616.0 %	623.5 %
06-30-21#	52,027,052	81,922,150	29,895,098	5,086,232	63.5 %	6 3 14 5 15	1,022.9 %	1,610.7 %	587.8 %

\* Actuarial assumptions revised.

# Retirement System amended.

! Includes excess earnings reserve.

**The Ratio of Valuation Assets to AAL** is the most widely known measure of a plan's financial strength, but the trend in the funded ratio is much more important than the absolute ratio. The funded ratio should trend to 100%. As it approaches 100%, it is important to re-evaluate the level of investment risk in the portfolio and potentially to re-evaluate the assumed rate of return.

Amortization years indicate the years remaining for financing the UAAL. Historical information is not available for years prior to June 30, 2006.

The ratios of assets and AAL to valuation payroll gives an indication of both maturity and volatility. Many systems have ratios between 5 and 7. When ratios are above this range, there may be more volatility in the year-to-year contribution level as a % of pay. For systems that are closed to new hires, it is expected that these ratios will grow as payroll declines.

The ratio of UAAL to valuation payroll gives an indication of the plan sponsor's ability to actually pay off the unfunded liability. A ratio above approximately 3 or 4 may indicate difficulty in discharging the unfunded liability within a reasonable time frame.



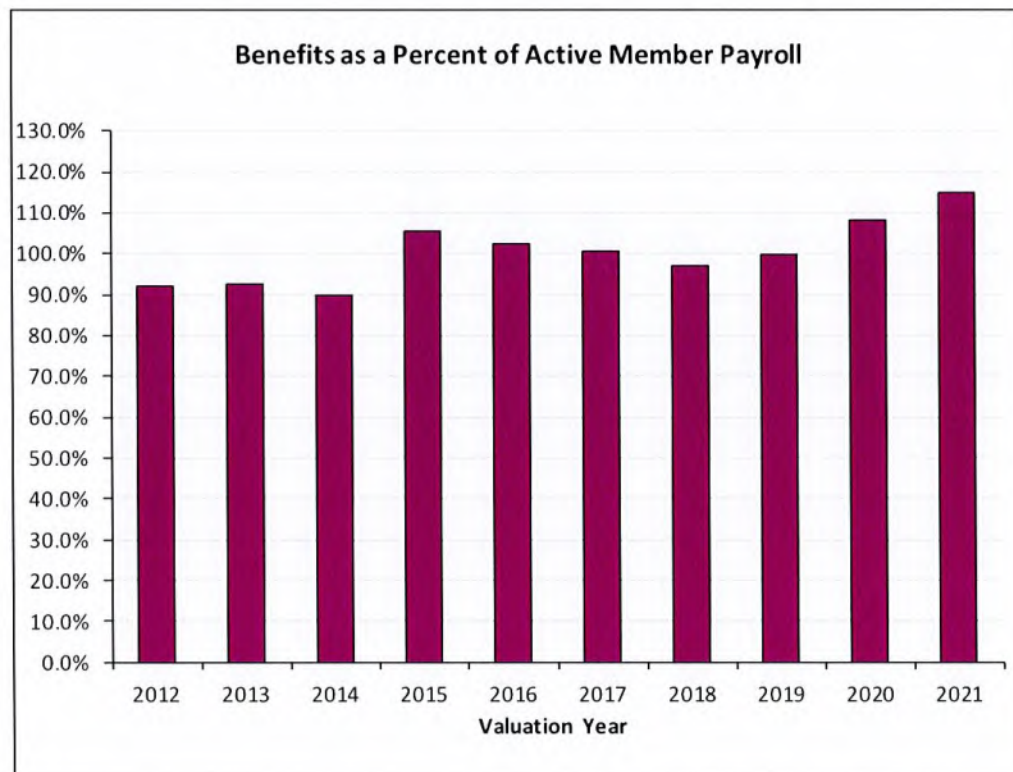
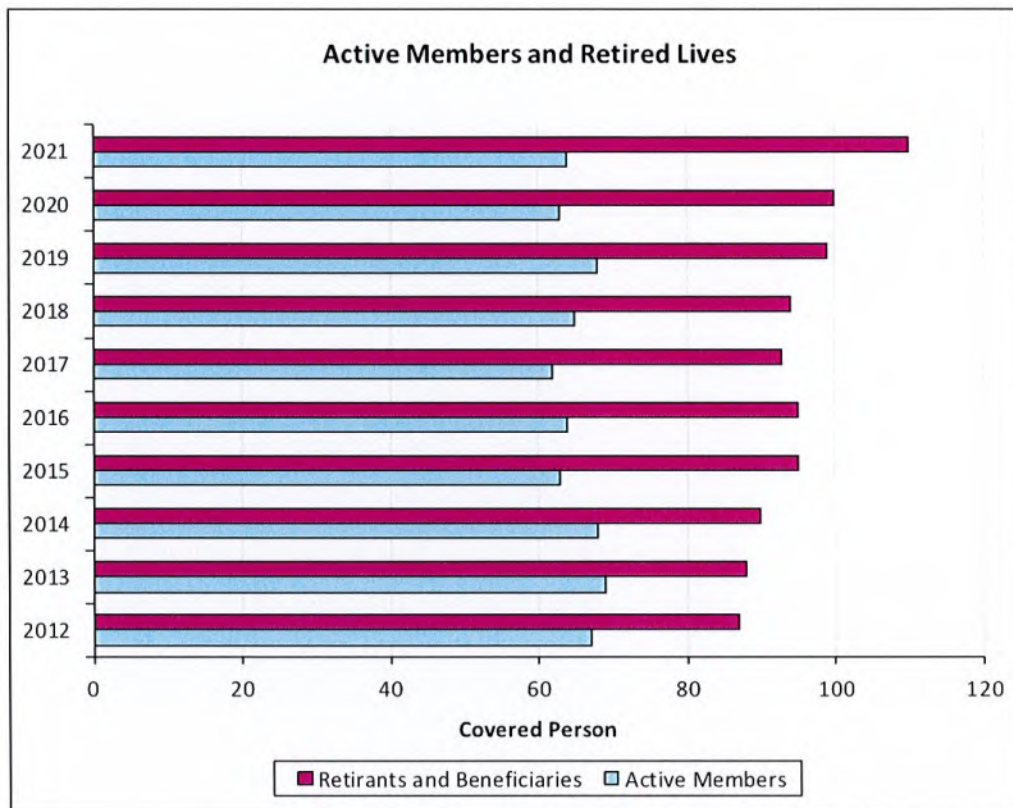


## Computed Employer Contributions Comparative Statement

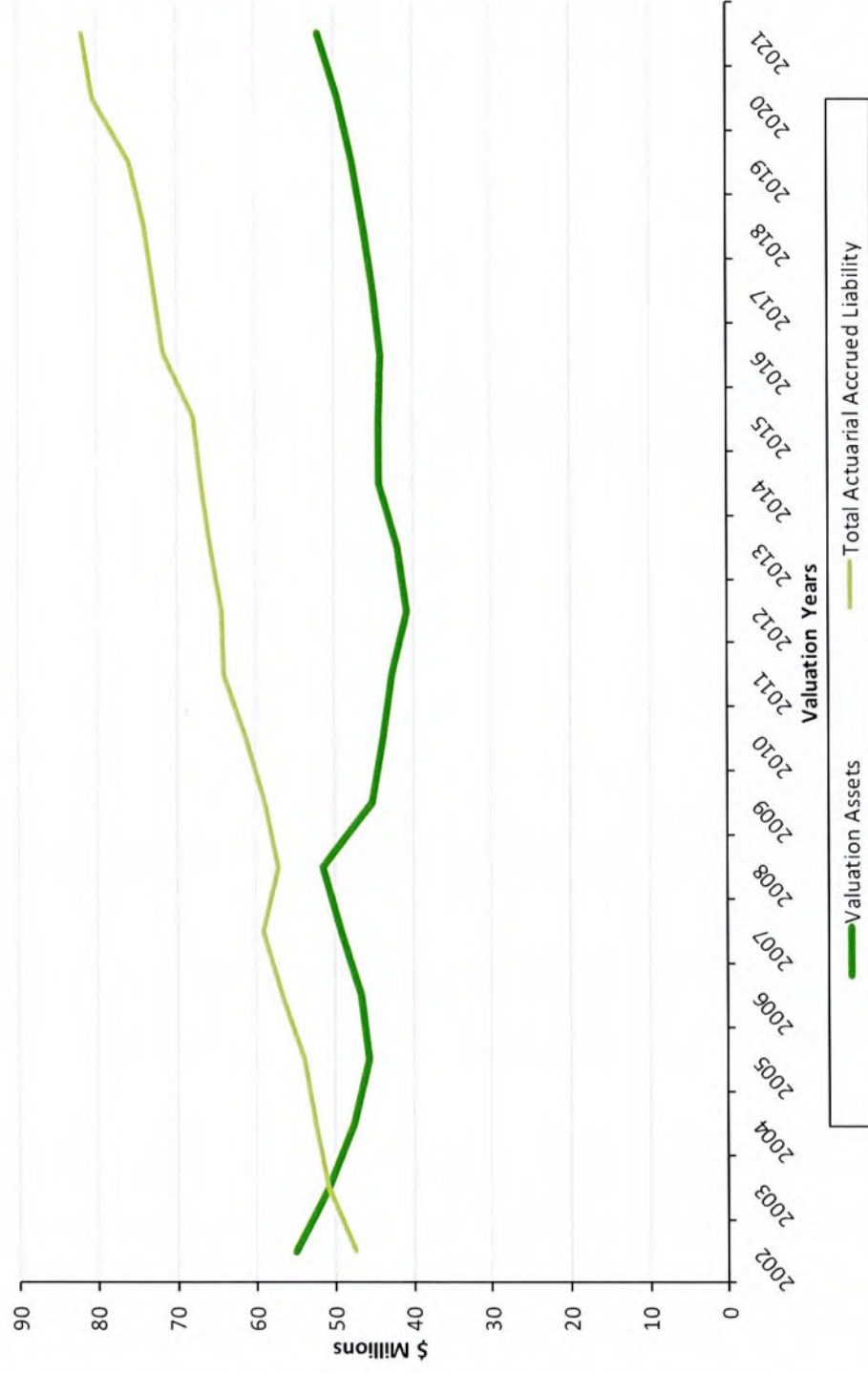
Valuation Date	Active Members			Retirees & Beneficiaries			Employer Contributions				
	No.	Valuation Payroll		No.	Active	Annual Pensions		as Payroll Percents			
		Total	Average			% Incr.	Per Retired	\$	% of Payroll	Employer Normal Cost	UAAL
06-30-02	71	\$4,898,127	\$68,988	4.4 %	60	1.2	\$2,210,668	45.1 %	22.0 %	(14.5)%	7.5 %
06-30-03#	64	4,490,451	70,163	1.7 %	73	0.9	3,164,793	70.5 %	21.7 %	0.3 %	22.0 %
06-30-04*	67	5,065,923	75,611	7.8 %	75	0.9	3,170,325	62.6 %	19.1 %	10.1 %	29.2 %
06-30-05	67	5,239,288	78,198	3.4 %	73	0.9	3,134,950	59.8 %	19.1 %	14.3 %	33.4 %
06-30-06	64	5,281,801	82,528	5.5 %	75	0.9	3,337,483	63.2 %	19.4 %	11.8 %	31.2 %
06-30-07	63	5,438,968	86,333	4.6 %	76	0.8	3,433,920	63.1 %	19.4 %	11.7 %	31.1 %
06-30-08#	63	5,759,174	91,415	5.9 %	77	0.8	3,471,224	60.3 %	12.8 %	7.1 %	19.9 %
06-30-09#	66	5,847,595	88,600	(3.1)%	76	0.9	3,521,322	60.2 %	13.2 %	16.9 %	30.1 %
06-30-10	64	5,532,619	86,447	(2.4)%	78	0.8	3,844,141	69.5 %	13.2 %	23.2 %	36.4 %
06-30-11	64	4,922,456	76,913	(11.0)%	86	0.7	4,445,242	90.3 %	13.0 %	33.8 %	46.8 %
06-30-12	67	4,889,791	72,982	(5.1)%	87	0.8	4,503,892	92.1 %	13.6 %	39.0 %	52.6 %
06-30-13	69	4,966,288	71,975	(1.4)%	88	0.8	4,594,702	92.5 %	13.7 %	40.8 %	54.5 %
06-30-14	68	5,047,949	74,235	3.1 %	90	0.8	4,539,096	89.9 %	14.2 %	40.3 %	54.5 %
06-30-15#	63	4,633,108	73,541	(0.9)%	95	0.7	4,878,836	105.3 %	12.4 %	50.0 %	62.4 %
06-30-16*	64	4,745,297	74,145	0.8 %	95	0.7	4,861,054	102.4 %	13.2 %	65.1 %	78.3 %
06-30-17	62	4,841,046	78,081	5.3 %	93	0.7	4,862,301	100.4 %	13.0 %	68.1 %	81.1 %
06-30-18	65	5,105,443	78,545	0.6 %	94	0.7	4,950,768	97.0 %	12.6 %	70.3 %	82.9 %
06-30-19#	68	5,266,008	77,441	(1.4)%	99	0.7	5,249,475	99.7 %	12.0 %	77.0 %	89.0 %
06-30-20#*	63	4,984,183	79,114	2.2 %	100	0.6	5,390,425	108.2 %	13.0 %	85.4 %	98.4 %
06-30-21#	64	5,086,232	79,472	0.5 %	110	0.6	5,850,096	115.0 %	11.3 %	88.8 %	100.1 %

\* Actuarial assumptions revised.  
# Retirement System amended.





# Assets and Accrued Liabilities





## Comments, Certification and Other Observations

**Comment A:** The contribution increased from \$5,198,357 last year to \$5,400,300 this year.

**Comment B:** Per Section III. C.(3) of the Actuarial Funding Policy (a copy is attached in Appendix I), the increase in present value for four members (allowed to retire earlier than stated requirements) is amortized over a period of 5 years.

**Comment C:** System experience for the year ended June 30, 2021 was slightly less favorable than assumed, resulting in an overall loss of \$257,556. The experience loss was primarily due to more retirements than expected offsetting the better than assumed investment experience.

**Comment D:** An excess earnings reserve fund was established in 1996. The reserve balance as of June 30, 2021 is \$212,884. See Appendix I page 2 for the development of the reserve balance.

A portion of the excess earnings reserve has been used in prior years to provide ad-hoc post-retirement increases. The ad-hoc increases have not been explicitly included when calculating contribution requirements to the Retirement System.

**Comment E:** As of the valuation date, the Unfunded Actuarial Accrued Liability (UAAL) is \$29.9 million, and the funded ratio is 63.4% (69.5% on a market value basis). At the time of the last valuation, the funded ratio was 61.3%.

The retired lives are less than fully funded on a market value basis. It is most important that the Plan receive contributions at least equal to the rates shown in this report.

**Comment F:** The June 30, 2021 actuarial present value of retirement allowances (including the excess earnings reserve) is greater than the balance in the Reserve for Retired Benefit Payments. Past practice has been to maintain an exact balance between assets and liabilities for current retired lives. ***Therefore, to the extent possible, we recommend a transfer in the amount of \$10,997,308 from the Reserve for Employer's Contributions to the Reserve for Retired Benefit Payments.*** The transfer was assumed to have been made as of June 30, 2021 for purposes of this valuation.

**Comment G:** This report reflects the impact of COVID-19 experience through June 30, 2021. It does not reflect the ongoing impact of COVID-19, which is likely to influence demographic and economic experience, at least in the short term. We will continue to monitor these developments and their impact on the Retirement System. Actual experience will be reflected in each subsequent annual valuation, as experience emerges.

## Comments, Certification and Other Observations

**Michigan Public Act 202:** Under Public Act 202 of the State of Michigan, Michigan municipalities are be required to report liabilities under uniform assumption guidelines. While the current guidelines are currently only for reporting purposes (and not funding), City governments may be encouraged to use these new assumptions for funding.

The uniform assumptions for 2021 reporting include the following:

- Investment return no higher than 7.0%;
- Assumed wage inflation no lower than 3.0%\*;
- Mortality assumption that uses a version of Pub-2010 with generational mortality improvement using scale MP-2019\*; and
- Amortization period no longer than 18 years for Pension Plans.

*\*Or based on an experience study within the last five years.*

The information needed to assist with PA 202 reporting requirements is supplied in the GASB report.

**Looking Ahead:** Due to the asset smoothing method only a portion of the current year asset gain was recognized, and portions of prior year's gains and losses remain to be recognized. If the Market Value of Assets were used (instead of smoothed value), the employer contribution would have been approximately \$5,000,000 (instead of \$5,400,300), and the funded status would have been about 69.5% (instead of 63.4%).

**Certification:** We certify that the valuation is complete and accurate and was made in accordance with generally recognized actuarial methods. The actuarial assumptions summarized in Section C are in aggregate a reasonable representation of the past and anticipated future experience of the System.



## Comments, Certification and Other Observations (Concluded)

### OTHER OBSERVATIONS:

#### General Implications of Contribution Allocation Procedure or Funding Policy on Future Expected Plan Contributions and Funded Status

Given the plan's contribution allocation procedure, if all actuarial assumptions are met (including the assumption of the plan earning 7.00% on the actuarial value of assets), it is expected that:

- 1) Employer normal cost amounts as a percentage of payroll will remain approximately level year to year;
- 2) The unfunded actuarial accrued liability will be fully amortized after 15 years; and
- 3) The funded status of the plan will increase gradually towards a 100% funded ratio.

#### Limitations of Funded Status Measurements

Unless otherwise indicated, a funded status measurement presented in this report is based upon the actuarial accrued liability and the actuarial value of assets. Unless otherwise indicated, with regards to any funded status measurements presented in this report:

- 1) The measurement is inappropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations.
- 2) The measurement is inappropriate for assessing the need for or the amount of future employer contributions.
- 3) The measurement would produce a different result if the market value of assets were used instead of the actuarial value of assets, unless the market value of assets is used in the measurement.
- 4) The funding level of the plan on a Market Value basis as of June 30, 2021 is shown on page A-3.

## SECTION B

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### VALUATION DATA



# Brief Summary of Act 345 Benefit Provisions as of June 30, 2021

## Service Retirement

**Eligibility:** All groups: Age 50 with 25 or more years of service or age 60 regardless of service.

**Amount:** The benefit amounts attributable to service retirements and the conditions under which such benefits may be paid are described in tabular form on page B-3.

Eligibility	Amount
<b>Deferred Retirement</b>	
10 or more years of service.	Computed as service retirement but based upon service, FAC and benefit in effect at termination. Benefit begins at date retirement would have occurred had member remained in employment.
<b>Death After Retirement Survivor's Pension</b>	
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.	Spouse's pension equals 60% of the pension retiree was receiving.
<b>Non-Duty Death-In-Service Survivor's Pension</b>	
Payable to a surviving spouse, if any, upon the death of a member with 10 or more years of service.	Accrued straight life pension actuarially reduced in accordance with an Option I election.
<b>Duty Death-In-Service Survivor's Pension</b>	
Payable upon the expiration of worker's compensation to the survivors of a member who died in the line of duty.	Same amount that was paid by worker's compensation.
<b>Non-Duty Disability</b>	
Payable upon the total and permanent disability of a member with 5 or more years of service.	To Age 55: 1.5% of FAC times years of service. At Age 55: Same as service retirement pension.
<b>Duty Disability</b>	
Payable upon the total and permanent disability of a member in the line of duty.	To Age 55: 50% of FAC. At Age 55: Same as service retirement pension with service credit from date of disability to age 55.
<b>Member Contributions</b>	
Police Chief, Fire Chief, and Public Safety Director	10.0% of covered compensation.
All Others	8.0% of covered compensation.
<b>FAC Period</b>	
All	Average of the highest 3 years of annual compensation during the 10 years immediately preceding retirement.



# Brief Summary of Act 345 Benefit Provisions as of June 30, 2021

## Includable Compensation

### IAFF Local 1307

- For employees promoted to command after 7/1/2006, but hired before 1/1/2008, FAC shall include and be based upon base wage which shall include out of class pay and shift differential, OT, Longevity pay, holiday pay, accumulated and unused vacation days at the time of retirement, food allowance and cleaning and clothing allowance and one half of accumulated sick leave, to a max. of 45 days.
- For employees hired after 1/1/2008 only base wage, longevity pay, and unused vacation (capped at 5 days) shall be factored into FAC.

### Police (COA)

- FAC for all employees hired prior to 7/1/2008 shall only include base wage (which shall include out of class pay, and shift diff.), overtime pay, longevity pay, holiday pay, and accumulated and accrued unused vacation days at the time of retirement, officer training bonus, gun allowance, a cleaning and clothing allowance and one half of accumulated sick leave to a max of 800 hours.
- For employees hired after 7/1/2008, FAC will only include base wage, longevity pay, and unused vacation time (capped at 120 hours).

### Police Patrol

- For employees hired after 1/1/1981, but before 7/1/2008, FAC shall be based upon base wage, overtime pay, longevity pay, holiday pay, accumulated and accrued unused vacation days at the time of retirement, officer training bonus, gun allowance and cleaning and clothing allowance, and one half of accumulated sick leave, to a maximum of 100 days.
- For employees hired after 7/1/2008, FAC will only include base wage, longevity pay, and unused vacation time (capped at 120 hours).



## Brief Summary of Act 345 Benefit Provisions as of June 30, 2021

Group	Benefit Formula		Maximum Annual Benefit After Annuity Withdrawal <sup>3,4</sup>	Comment
	Multiplier x Service	Multiplier x Service		
<b>IAFF Local 1307</b> Tier 1: Hired before 7/1/08, retired after 7/1/15 Tier 2: Hired on 7/1/08 and before 7/2/18, retired after 7/1/15 Tier 3: Hired after 7/1/18	2.69%	first 25 + 1.00%	\$80,000	1
	2.69%	first 25 + 1.00%	\$70,000	1
	2.69%	first 25 + 1.00%	\$70,000	1
<b>Police (COA)</b> Tier 1: Hired before 7/1/08, retired after 7/1/15 Tier 2: Hired on 7/1/08 and before 7/2/18, retired after 7/1/15 Tier 3: Hired after 7/1/18	2.69%	first 25 + 1.00%	\$80,000	2
	2.69%	first 25 + 1.00%	\$70,000	2
	2.69%	first 25 + 1.00%	\$70,000	2
<b>Police Patrol</b> Tier 1: Hired before 7/1/08, retired after 7/1/15 Tier 2: Hired on 7/1/08 and before 7/2/18, retired after 7/1/15 Tier 3: Hired after 7/1/18	2.69%	first 25 + 1.00%	\$80,000	-
	2.69%	first 25 + 1.00%	\$70,000	-
	2.69%	first 25 + 1.00%	\$70,000	-
<b>Current Public Safety Director</b>	2.69%	first 25 + 1.00%	\$80,000	-

<sup>1</sup> Members promoted to command positions on or after 7/1/06 will be provided the same pension calculations and payout at retirement as they were provided as non-command officers.

<sup>2</sup> Members promoted to COA on or after 7/1/06 will maintain their current benefits unless the COA agreement provides less.

<sup>3</sup> Payable as straight life annuity.

<sup>4</sup> Annuity withdrawal is not offered to members hired after 7/1/18.

## Retirees and Beneficiaries Added to and Removed from Rolls Comparative Statement

Year Ended	Added to Rolls		Removed from Rolls		Rolls End of Year		Pensions as a % of Member Payroll	Average Pension	Present Value of Pensions <sup>+</sup>
	No.	Annual Pensions	No.	Annual Pensions	No.	Annual Pensions			
06-30-02#	2	\$ 119,954			60	\$ 2,210,668	45.1%	\$36,844	\$ 23,501,605
06-30-03	15	1,022,154	2	\$ 68,029	73	3,164,793	70.5%	43,353	34,597,105
06-30-04@	1	5,531			74	3,170,325	62.6%	42,842	34,497,627
06-30-05	2	34,630	3	70,005	73	3,134,950	59.8%	42,945	33,702,098
06-30-06	5	257,163	3	54,630	75	3,337,483	63.2%	44,500	35,632,439
06-30-07	3	158,889	2	62,452	76	3,433,920	63.1%	45,183	36,359,122
06-30-08@	1	42,164		4,860	77	3,471,224	60.3%	45,081	36,296,873
06-30-09@	2	104,196	3	54,098	76	3,521,322	60.2%	46,333	36,639,620
06-30-10	6	423,407	4	100,588	78	3,844,141	69.5%	49,284	40,118,035
06-30-11^	10	662,697	2	61,596	86	4,445,242	90.3%	51,689	47,597,576
06-30-12	2	123,636	1	64,986	87	4,503,892	92.1%	51,769	47,475,689
06-30-13	2	112,805	1	21,995	88	4,594,702	92.5%	52,213	47,905,503
06-30-14	5	125,168	4	180,774	89	4,539,096	89.9%	51,001	46,866,286
06-30-15@	9	480,526	3	140,786	95	4,878,836	105.3%	51,356	51,295,005
06-30-16@	2	101,081	2	118,863	95	4,861,054	102.4%	51,169	52,406,109
06-30-17@	1	102,311	3	101,064	93	4,862,301	100.4%	52,283	52,144,215
06-30-18	2	134,033	1	45,566	94	4,950,768	97.0%	52,668	52,768,325
06-30-19@	5	298,707			99	5,249,475	99.7%	53,025	55,604,425
06-30-20@	3	191,753	2	50,803	100	5,390,425	108.2%	53,904	58,680,275
06-30-21@	12	531,171	2	71,500	110	5,850,096	115.0%	53,183	64,183,868

@ Revised actuarial assumptions and/or benefit provisions.

+ Excludes excess earnings reserves.

# Does not include window retirees.

^ Includes members electing to enter one year Trust.



## Retirees and Beneficiaries June 30, 2021 Tabulated by Attained Age

Attained Age	No.	Annual Pensions
40-44	1	\$ 7,743
45-49	5	348,670
50-54	14	738,761
55-59	14	843,826
60-64	16	1,119,290
65-69	10	610,284
70-74	20	967,803
75-79	16	703,496
80-84	11	420,080
90-94	3	90,143
<b>Totals</b>	<b>110</b>	<b>\$5,850,096</b>

Average Age at Retirement: 51.3 years  
Average Age Now: 66.9 years

On the valuation date, there is one vested former member, age 44 with total estimated annual benefits of \$38,798.

## Active Members - Comparative Statement

Valuation Date	Active Members	Valuation Payroll	Average			
			Age	Service	Pay	% Inc.
06-30-02	71	\$4,898,127	39.8	12.9	\$68,988	4.4 %
06-30-03	64	4,490,451	37.3	10.2	70,163	1.7 %
06-30-04	67	5,065,923	37.9	10.8	75,611	7.8 %
06-30-05	67	5,239,288	38.9	11.8	78,198	3.4 %
06-30-06	64	5,281,801	39.3	12.4	82,528	5.5 %
06-30-07	63	5,438,968	40.0	13.1	86,333	4.6 %
06-30-08	63	5,759,174	40.7	13.7	91,415	5.9 %
06-30-09	66	5,847,595	40.4	13.6	88,600	(3.1)%
06-30-10	64	5,532,619	40.3	13.5	86,447	(2.4)%
06-30-11	64	4,922,456	37.7	11.2	76,913	(11.0)%
06-30-12	67	4,889,791	37.9	11.0	72,982	(5.1)%
06-30-13	69	4,966,288	38.0	11.1	71,975	(1.4)%
06-30-14	68	5,047,949	39.1	12.4	74,235	3.1 %
06-30-15	63	4,633,108	38.4	12.2	73,541	(0.9)%
06-30-16	64	4,745,297	38.6	12.4	74,145	0.8 %
06-30-17	62	4,841,046	39.0	13.3	78,081	5.3 %
06-30-18	65	5,105,443	38.6	12.8	78,545	0.6 %
06-30-19	68	5,266,008	37.8	11.5	77,441	(1.4)%
06-30-20	63	4,984,183	38.1	12.4	79,114	2.2 %
06-30-21	64	5,086,232	36.9	10.7	79,472	0.5 %

## Active Members Added to and Removed from Rolls

Valuation Date	Number Added During Year		Terminations During Year										Active Members End of Year
			Normal Retirement		Disability Retirement		Died-In- Service		Withdrawals				
									Vested	Other	Total		
	A	E	A	E	A	E	A	E	A	A	A	E	
6-30-17	1	3	1	0.4	0	0.1	0	0.0	0	2	2	0.9	62
6-30-18	6	3	1	0.5	0	0.1	1	0.1	0	1	1	0.7	65
6-30-19	8	5	4	0.3	1	0.1	0	0.1	0	0	0	1.2	68
6-30-20	2	7	2	0.3	0	0.1	0	0.0	1	4	5	1.8	63
6-30-21	9	8	6	1.3	0	0.1	0	0.0	0	2	2	1.1	64
5-Year Totals	26	26	14	2.8	1	0.5	1	0.2	1	9	10	5.7	

A = Actual  
E = Expected

## Active Members as of June 30, 2021 by Attained Age and Years of Service

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
20-24	4							4	\$ 176,339
25-29	8	2						10	691,234
30-34	6	3	2					11	697,875
35-39	1	5	6	1				13	1,083,722
40-44	2	1	3	2	2			10	839,498
45-49			1	3	6	2		12	1,211,264
50-54				2	2			4	386,300
<b>Total</b>	<b>21</b>	<b>11</b>	<b>12</b>	<b>8</b>	<b>10</b>	<b>2</b>		<b>64</b>	<b>\$ 5,086,232</b>

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 36.9 years  
Service: 10.7 years  
Annual Pay: \$79,472



## Summary of Current Asset Information

### Balance Sheet

Current Assets		Reserve for	
Cash & Equivalents	\$ 533,349	Employees' Contributions	\$ 3,597,527
Receivables & Accruals	18	Employer Contributions	0
Investments	56,463,604	Retired Benefit Payments	53,186,560
Miscellaneous Assets	0	Excess Earnings	212,884
Total Current Assets	\$56,996,971	Total Reported Reserves	\$56,996,971
Market Adjustment	(4,969,919)	Market Adjustment	(4,969,919)
Total Valuation Assets	\$52,027,052	Total Valuation Reserves	\$52,027,052

### Revenues and Expenditures

	2020-2021	2019-2020
Valuation Assets - July 1	\$49,466,718	\$47,566,458
Revenues		
Employees' Contributions	382,803	368,454
Employer Contributions	4,639,422	4,998,995
Recognized Investment Income	4,722,458	2,635,475
Expenditures		
Benefit Payments and Refund of		
Member Contributions	6,948,017	5,848,852
Investment Expense	236,332	253,812
Valuation Assets - June 30	\$52,027,052	\$49,466,718

Valuation assets are equal to a smoothed asset value. The derivation of valuation assets is shown on page A-4.



## SECTION C

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### **ACTUARIAL COST METHOD AND ASSUMPTIONS**

## Basic Financial Objective and Operation of the Retirement System

***Benefit Promises Made Which Must Be Paid For.*** A retirement program is an orderly means of handing out, keeping track of, and financing contingent pension promises to a group of employees. As each member of the retirement program acquires a unit of service credit they are, in effect, handed an “IOU” which reads: “The Retirement System promises to pay you one unit of retirement benefits, payments in cash commencing when you retire.”

The principal related financial question is: When shall the money required to cover the “IOU” be contributed? This year, when the benefit of the member’s service is received? Or, some future year when the “IOU” becomes a cash demand?

The Constitution of the State of Michigan is directed to the question:

“Financial benefits arising on account of service rendered in each fiscal year shall be funded during that year and such funding shall not be used for financing unfunded accrued liabilities.”

This Retirement System meets this constitutional requirement by having the following ***Financial Objective: To establish and receive contributions, expressed as percents of active member payroll, which will remain approximately level from year-to-year*** and will not have to be increased for future generations of taxpayers.

Translated into actuarial terminology, a level percent-of-payroll contribution objective means that the contribution rate must be at least:

*Normal Cost* (the current value of benefits likely to be paid on account of members’ service being rendered in the current year)

... plus ...

*Interest on the Unfunded Actuarial Accrued Liability* (the difference between the actuarial accrued liability and current system assets).

If contributions to the retirement program are less than the preceding amount, the difference, plus investment earnings not realized thereon, will have to be contributed at some later time, or, benefits will have to be reduced, to satisfy the fundamental fiscal equation under which all retirement programs must operate; that is:

$$B = C + I - E$$

Benefit payments to any group of members and their beneficiaries cannot exceed the sum of:

Contributions received on behalf of the group

... plus ...

Investment earnings on contributions received and not required for immediate payment of benefits

... minus ...

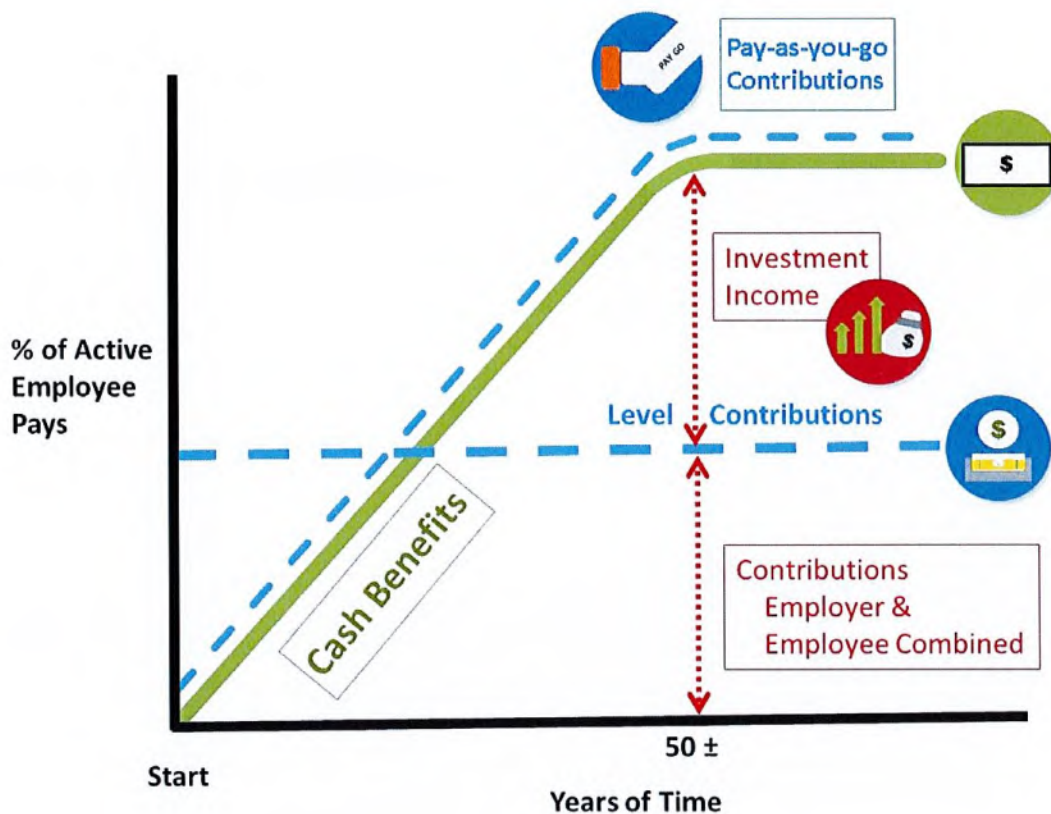
Expenses incurred in operating the program.

A by-product of the level percent-of-payroll contribution objective is the accumulation of invested assets for varying periods of time. Investment income becomes the third and largest contributor to the retirement program, and the amount is directly related to the amount of contributions and investment performance.

There are retirement programs designed to defer the bulk of contributions far into the future. Lured by artificially low present contributions, such programs ignore the inevitable consequence of a relentlessly increasing contribution rate -- to a level greatly in excess of the level percent-of-payroll rate. ***This method of financing is prohibited in Michigan by the state constitution.***

***Computed Contribution Rate Needed to Finance Benefits.*** From a given schedule of benefits and from the data furnished, the actuary calculates the contribution rate *by means of an actuarial valuation* - the technique of assigning monetary values to the risks assumed in operating a retirement program.





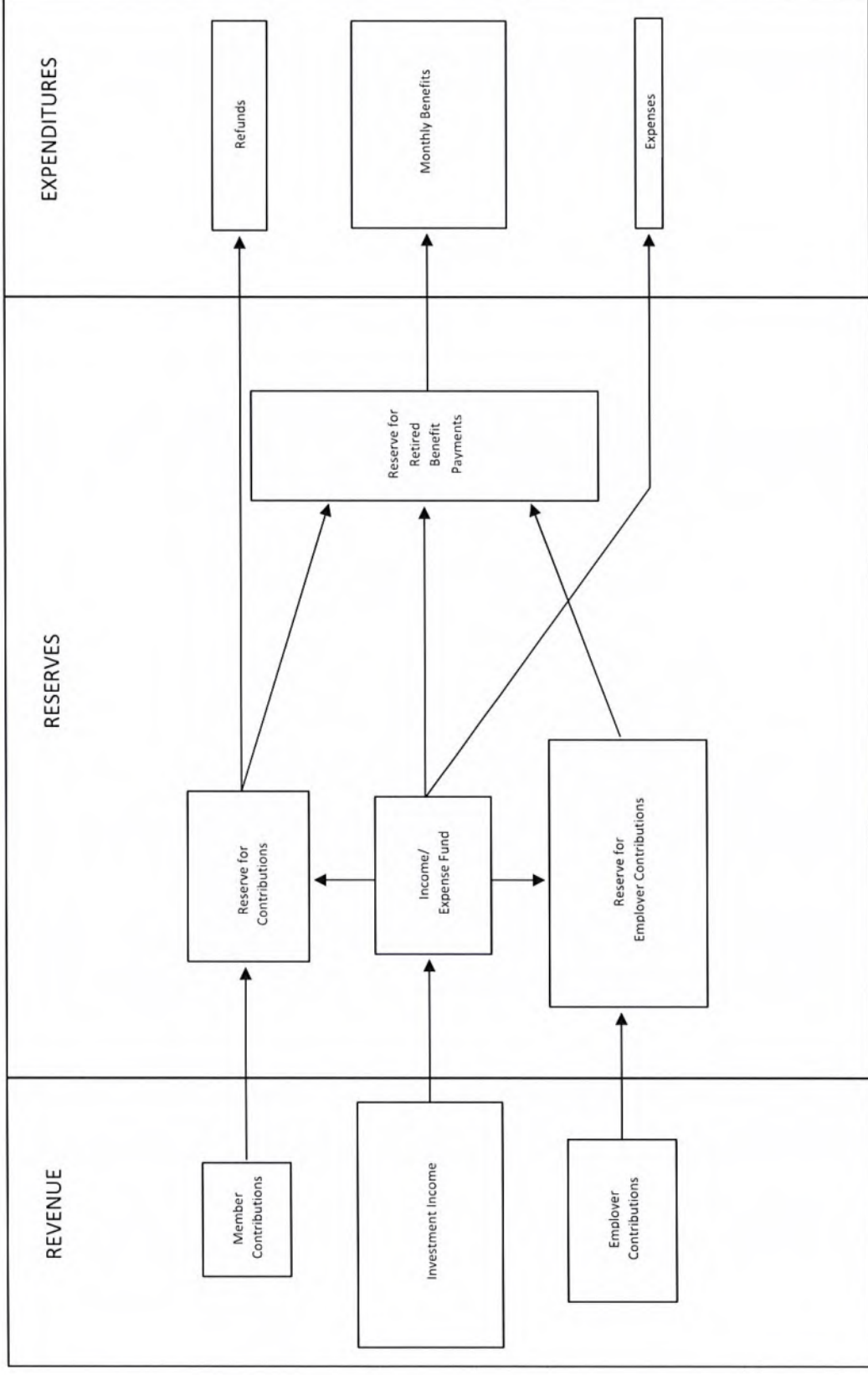
**CASH BENEFITS LINE.** This relentlessly increasing line is the fundamental reality of retirement plan financing. It happens each time a new benefit is added for future retirements (and happens regardless of the design for contributing for benefits).

**LEVEL CONTRIBUTION LINE.** Determining the level contribution line requires detailed assumptions concerning a variety of experiences in future decades, including:

- **Economic Risk Areas**
  - Rates of investment return
  - Rates of pay increase
  - Changes in active member group size
- **Non-Economic Risk Areas**
  - Ages at actual retirement
  - Rates of mortality
  - Rates of withdrawal of active members (turnover)
  - Rates of disability



## Flow of Money Through the Retirement System



## Valuation Methods

The assumptions and methods are based on an experience study dated February 11, 2021 adopted by the Board on February 18, 2021.

Normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using an individual **entry-age normal cost valuation method** having the following characteristics:

- The annual normal costs for each individual active member, payable from the date of employment to the date of retirement, are sufficient to accumulate the value of the member's benefit at the time of retirement; and
- Each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

**Financing of Unfunded Actuarial Accrued Liabilities.** The Unfunded Actuarial Accrued Liability (UAAL) was determined using the funding value of assets and actuarial accrued liability calculated as of the valuation date. The UAAL amortization payment (one component of the contribution requirement), is the level percent of pay required to fully amortize the UAAL beginning on the date contributions determined by this report are scheduled to begin. In accordance with the Actuarial Funding Policy, Sections III. C., the UAAL is financed over a period of years. This UAAL payment reflects payments expected to be made between the valuation date and the date contributions determined by this report are scheduled to begin. Unfunded actuarial accrued liabilities were amortized by level (principal & interest combined) percent-of-payroll contributions.

The **valuation assets** used for funding purposes is derived as follows: Prior year valuation assets are increased by contribution and expected investment income and reduced by refunds, benefit payments and expenses. To this amount is added 25% of the difference between expected and actual investment income for each of the previous four years. The total funding value of assets is limited to 80%/120% of the market value on the valuation date. Finally the total funding value is reduced by the Excess Earnings Reserve Fund Balance, Appendix 1-3; 5), in order to determine the net valuation assets for funding purposes. During periods when investment performance exceeds the assumed rate, actuarial value of assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, actuarial value of assets will tend to be greater than market value.

## Valuation Assumptions

The actuary calculates the contribution requirements and benefit values of the System by applying actuarial assumptions to the benefit provisions and census data furnished, using the valuation methods described on page C-5.

The principal areas of financial risk which require assumptions about future experiences are:

- Long-term rates of investment income likely to be generated by the assets of the Retirement System;
- Patterns of salary increases to members;
- Rates of mortality among members, retirants and beneficiaries;
- Rates of withdrawal of active members;
- Rates of disability among members and their subsequent rates of recovery; and
- Probabilities of retirement at various ages after benefit eligibility.

In a valuation the actuary projects the monetary effect of each assumption, for each distinct experience group, for the next year and for each year over the next half-century or longer.

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Actual experience will not coincide exactly with assumed experience, regardless of the wisdom of the assumptions. Each valuation provides a complete recalculation of System costs based upon assumptions regarding future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of small adjustments to the computed contribution rate.

From time-to-time it is appropriate to modify one or more of the assumptions, to reflect basic experience trends (but not random year-to-year fluctuations).



## Valuation Assumptions (Continued)

**The rates of salary increase** used for individual members are in accordance with the following table. This assumption is used to project a member's current salary to the salaries upon which benefit amounts will be based.

Sample Ages	Salary Increase Assumptions for an Individual Member		
	Merit & Seniority	Base (Economy)	Increase Next Year
20	2.9%	3.0%	5.9%
25	2.3%	3.0%	5.3%
30	2.0%	3.0%	5.0%
35	1.8%	3.0%	4.8%
40	1.6%	3.0%	4.6%
45	1.3%	3.0%	4.3%
50	0.9%	3.0%	3.9%
55	0.5%	3.0%	3.5%
60	0.1%	3.0%	3.1%
Ref:	458		

If the number of active members remains constant, then the total active member payroll will increase 3.0% annually, the base portion of the individual salary increase assumptions.

**The rate of investment** is compounded annually net of expenses.

Investment Return	7.00%
Wage Inflation	3.00%
Price Inflation	2.25%
Spread Between Investment Return and Wage Inflation	4.00%
Spread Between Investment Return and Price Inflation	4.75%

These assumptions are used to equate the value of payments due at different points in time.

Economic experience during the last five years has been as follows:

	Year Ended June 30					5-Year Average
	2021	2020	2019	2018	2017	
1) Nominal rate of return*	9.3 %	5.0 %	5.2 %	4.3 %	5.6 %	5.9 %
2) Increase in CPI (6/30)	5.4 %	0.6 %	1.6 %	2.9 %	1.6 %	2.4 %
3) Average salary increase	0.5 %	2.2 %	(1.4)%	0.6 %	5.3 %	1.4 %
4) Spread between recognized investment return and: CPI						3.5 %
Average salary increase						4.5 %

\* The nominal rate of return was computed using the approximate formula:  $i = I$  divided by  $1/2 (A+B-I)$ , where  $I$  is realized investment income net of expenses,  $A$  is the beginning of year asset value and  $B$  is the end of year asset value.



## Valuation Assumptions (Continued)

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

- **Pre-Retirement:** The Pub-2010 Amount-Weighted, Safety, Employee, Male and Female tables, with a base year of 2010 and future mortality improvements projected using scale MP-2020.
- **Healthy Post-Retirement:** The Pub-2010 Amount-Weighted, Safety, Healthy Retiree, Male and Female tables, with a base year of 2010 and future mortality improvements projected using scale MP-2020.
- **Disability Retirement:** The Pub-2010 Amount-Weighted, Safety, Disabled Retiree, Male and Female, with a base year of 2010 and future mortality improvements projected using scale MP-2020.

These tables were first used for the June 30, 2020 valuation.

Future Life Expectancy (Years)* at Sample Ages						
Sample Age	Healthy Pre-Retirement <sup>^</sup>		Healthy Post-Retirement		Disabled Retirement	
	Men	Women	Men	Women	Men	Women
45	43.47	45.89	40.49	42.54	38.88	41.03
50	38.34	40.76	35.35	37.32	33.94	36.03
55	33.26	35.67	30.29	32.22	29.07	31.15
60	28.27	30.64	25.41	27.34	24.40	26.56
65	23.41	25.66	20.83	22.71	20.06	22.25
70	18.71	20.75	16.57	18.34	16.05	18.13
75	14.25	16.02	12.67	14.28	12.35	14.25
80	10.09	11.59	9.28	10.71	9.15	10.71
Ref:	2721	2722	2703	2704	2709	2710
Multiplier:	1.00	1.00	1.00	1.00	1.00	1.00
Setback:	0	0	0	0	0	0
Base Year:	2010	2010	2010	2010	2010	2010
MP Scale:	964	965	964	965	964	965

\* Based on retirements in 2021. Retirements in future years will reflect improvements in life expectancy.

<sup>^</sup> 95% of Pre-Retirement Deaths are assumed to be non-duty related and 5% are assumed to be duty related.

## Valuation Assumptions (Continued)

**The rates of retirement** used to measure the probability of eligible members retiring during the next year were as follows:

Retirement Ages	Percent*
50	70%
51	20%
52	20%
53	20%
54	20%
55	10%
56	10%
57	10%
58	10%
59	10%
60	100%
Ref.	3180

\* A 30% rate is assumed for retirements occurring one year earlier than the stated age 50 with 25 years of service requirement.

A member is eligible for retirement at age 50 with 25 years of service or after attaining age 60.

## Valuation Assumptions (Concluded)

**Rates of separation from active membership** were as shown below (rates do not apply to members eligible to retire and do not include separation on account of death or disability). This assumption measures the probabilities of members remaining in employment.

Sample Ages	Years of Service	% of Active Members Separating within Next Year
All	0	12.50%
	1	8.50%
	2	5.00%
	3	3.00%
	4	2.50%
25	5 & Over	1.62%
30		1.40%
35		0.83%
40		0.32%
45		0.18%
50		0.18%
55		0.18%
60		0.18%
Ref.		146
		237

**Rates of disability** were as follows. This assumption measures the probability of members retiring with a disability benefit. 10% of disabilities are assumed to be non-duty related and 90% are assumed to be duty related.

Sample Ages	% of Active Members Becoming Disabled within Next Year
20	0.06%
25	0.07%
30	0.10%
35	0.13%
40	0.19%
45	0.29%
50	0.48%
55	0.82%
Ref	256
Multiplier	125%



## Miscellaneous and Technical Assumptions

### June 30, 2021

<b>Marriage Assumption:</b>	100% of males and 100% of females are assumed to be married for purposes of death-in-service benefits. 90% of active members are assumed to be married at time of retirement. Male spouses are assumed to be three years older than female spouses.
<b>Pay Increase Timing:</b>	Beginning of (Fiscal) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.
<b>Decrement Timing:</b>	Decrements of all types are assumed to occur mid-year.
<b>Eligibility Testing:</b>	Eligibility for benefits is determined using the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
<b>Decrement Relativity:</b>	Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
<b>Decrement Operation:</b>	Disability and death decrements do not operate during the first five years of service. Disability also does not operate during retirement eligibility.
<b>Loads:</b>	Retirement Present Values, for benefits commencing immediately, were loaded by 17% for all Fire and Police Patrol/Command hired on or before 7/1/2008 (2% for those Police Patrol/Command hired after 7/1/2008) of active member liabilities to account for the additional amount included in the FAC due to unused sick time and unused vacation time.
<b>Option Factors:</b>	Option factors are based upon a 7.00% interest rate assumption and a 100%/0% unisex blend of the Pub-2010S Amount-Weighted, Healthy Retiree, Male and Female tables, with future mortality improvements projected to 2024 using scale MP-2020, effective for retirements on or after June 30, 2021.
<b>Incidence of Contributions:</b>	Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
<b>Normal Form of Benefit:</b>	A 60% automatic joint and survivor payment is the assumed form of benefit.
<b>Benefit Service:</b>	Exact Fractional service is used to determine the amount of benefit payable.
<b>Annuity Withdrawal:</b>	The interest rate for annuity withdrawal conversions was assumed to be 0.0% per year.



## Glossary

**Accrued Service:** The service credited under the plan which was rendered before the date of the actuarial valuation.

**Actuarial Accrued Liability:** The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as “accrued liability” or “past service liability.”

**Actuarial Assumptions:** Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turn-over and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

**Actuarial Cost Method:** A mathematical budgeting procedure for allocating the dollar amount of the “actuarial present value of future plan benefits” between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the “actuarial funding method.”

**Actuarial Equivalent:** A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan.

**Actuarial Present Value:** The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

**Amortization:** Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.

**Experience Gain (Loss):** A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, in accordance with the actuarial cost method being used.

**Normal Cost:** The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as “current service cost.” Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

**Reserve Account:** An account used to indicate that funds have been set aside for a specific purpose and are not generally available for other uses.

**Unfunded Actuarial Accrued Liability:** The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as “unfunded accrued liability.”

**Valuation Assets:** The value of current plan assets recognized for valuation purposes.

## APPENDIX I

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### AMORTIZATION PAYOFF SCHEDULE

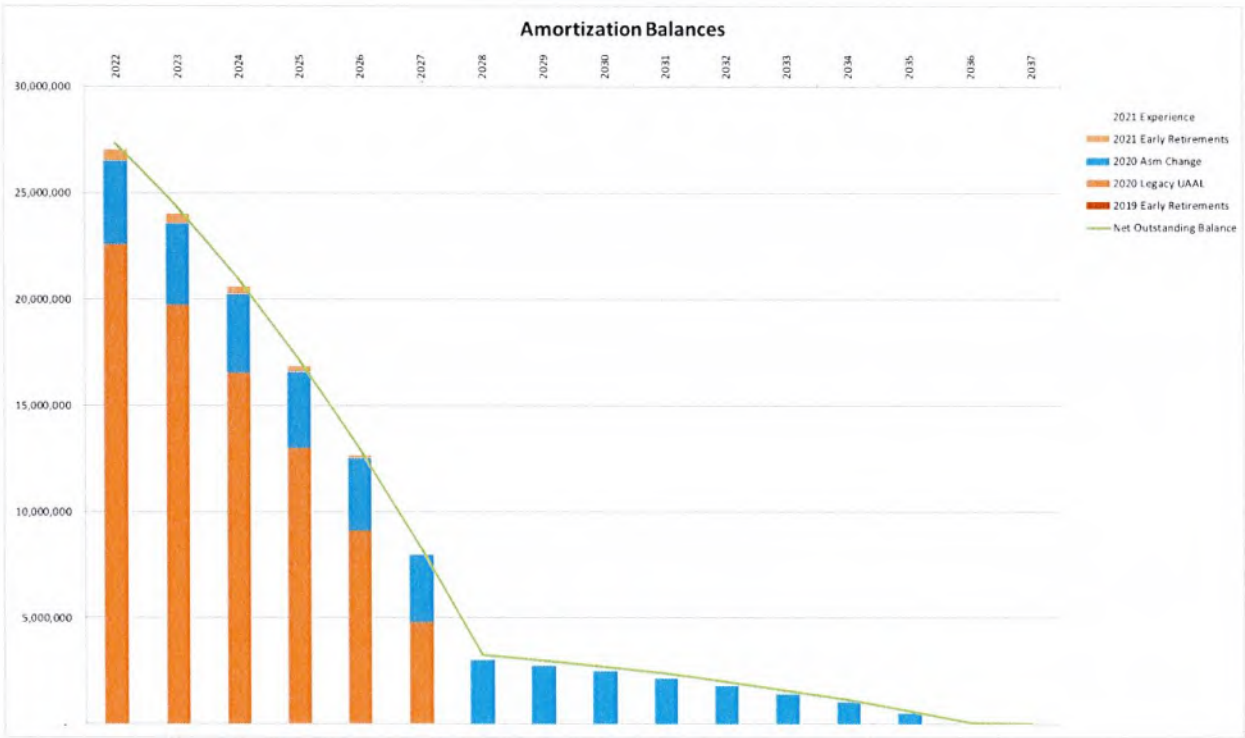
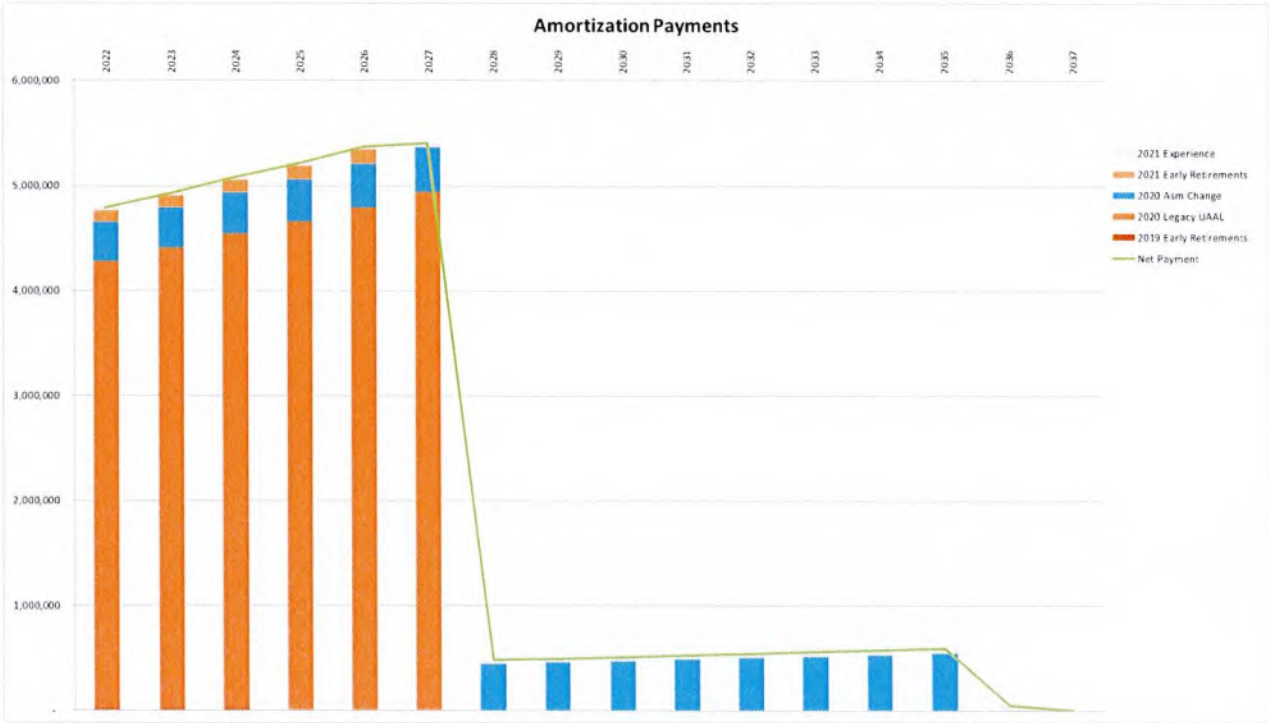
## Amortization Payoff Schedule

Date	Unfunded Actuarial Accrued Liability (UAAL) (Beg. of Year)	Funded Ratio (Beg. of Year)	UAAL Payment %	UAAL Payment \$	Interest	UAAL (End of Year)
June 30, 2021	\$ 29,895,098	63.4%				
July 1, 2022	27,361,149	66.9%	88.76%	\$ 4,789,664	\$ 1,749,532	\$ 24,321,017
July 1, 2023	24,321,017	70.8%	88.76%	4,933,354	1,531,751	20,919,415
July 1, 2024	20,919,415	75.1%	88.76%	5,081,354	1,288,517	17,126,577
July 1, 2025	17,126,577	79.7%	88.43%	5,214,344	1,018,416	12,930,649
July 1, 2026	12,930,649	84.8%	88.43%	5,370,774	719,288	8,279,163
July 1, 2027	8,279,163	90.3%	86.37%	5,402,697	392,579	3,269,045
July 1, 2028	3,269,044	96.2%	7.41%	477,392	212,313	3,003,965
July 1, 2029	3,003,965	96.5%	7.41%	491,713	193,262	2,705,514
July 1, 2030	2,705,514	96.9%	7.41%	506,465	171,860	2,370,909
July 1, 2031	2,370,909	97.3%	7.41%	521,659	147,911	1,997,162
July 1, 2032	1,997,162	97.7%	7.41%	537,308	121,208	1,581,061
July 1, 2033	1,581,061	98.2%	7.41%	553,428	91,523	1,119,156
July 1, 2034	1,119,156	98.7%	7.41%	570,031	58,615	607,740
July 1, 2035	607,740	99.3%	7.41%	587,131	22,224	42,833
July 1, 2036	42,833	100.0%	0.54%	44,298	1,465	0
July 1, 2037	0	100.0%	0.00%	0	0	(0)

UAAL at the valuation date is adjusted to July 1st of the following year with payments expected to be made between the valuation date and July 1st of the following year.



# Amortization Payoff Schedule (Concluded)





## Calculation of Excess Earnings Reserve Fund Balance

The schedule below shows the development of the current balance in the Excess Earnings Reserve Fund.

Transaction	Amount
1) Balance as of 7/1/2020	\$240,484
2) 2020 Transfer Amount	0
3) 2020/2021 Scheduled Distribution	29,100
4) 2020/2021 Distribution not made as a result of death	1,500
<b>5) Balance as of 7/1/2021: (1)+(2)-(3)+(4)</b>	<b>212,884</b>
6) 2021 Maximum Transfer Amount	144,414
7) 2021/2022 Scheduled Distribution	35,100
<b>8) Balance Available for Distribution as of 7/1/2022: (5)+(6)-(7)</b>	<b>\$322,198</b>

The calculations are based on our understanding of the Excess Earnings Distribution Program as described during the Retirement Board meeting of February 21, 2008, and assume a tiered structure payout as of July 1, 2013. This includes a maximum annual transfer equal to 10% of the excess of the rate of return on the actuarial value of Retirement System assets over the assumed rate of return (7.00%) multiplied by the actuarial present value of pensions being paid to retired members and beneficiaries. The calculation of the 2021 maximum transfer amount is detailed below:

Development of Maximum Transfer Amount	
a) Rate of return on Actuarial Value of Assets	9.25%
b) Assumed rate of return on Actuarial Value of Assets	7.00%
c) Excess rate of return: maximum ((a)-(b), 0%)	2.25%
d) Present Value of pensions for retired members and beneficiaries	\$64,183,868
<b>e) 2021 maximum transfer: (c)*(d)*10%</b>	<b>\$ 144,414</b>

The calculation of the maximum annual amount available to be transferred to the Excess Earnings Reserve Fund is based upon the Retirement Board's direction and is consistent with the Retirement Board's interpretation of Chapter 297.33 of the Code of Ordinances of the City of Southgate.

The balance available for distribution as of 7/1/2022 includes both expected payouts and expected transfers for the 12-month period following June 30, 2021.

## 100-Year Closed Group Projection of Benefit Payments

The benefit projections shown below are based upon the existing plan population as of the valuation date, June 30, 2021, assuming no new entrants in the plan. The projections were prepared assuming all actuarial assumptions are met during the projection period.

<b>Fiscal Year Ending June 30,</b>	<b>Projected Benefit Payment</b>	<b>Fiscal Year Ending June 30,</b>	<b>Projected Benefit Payment</b>	<b>Fiscal Year Ending June 30,</b>	<b>Projected Benefit Payment</b>
2022	\$5,941,182	2055	\$5,572,235	2088	\$684,783
2023	6,018,528	2056	5,515,970	2089	596,258
2024	5,978,863	2057	5,217,961	2090	514,353
2025	6,259,997	2058	5,042,653	2091	439,299
2026	6,428,736	2059	4,867,316	2092	371,266
2027	6,687,484	2060	4,691,441	2093	310,270
2028	6,615,626	2061	4,515,444	2094	256,208
2029	6,598,875	2062	4,339,838	2095	208,881
2030	6,565,298	2063	4,165,816	2096	167,989
2031	6,791,904	2064	3,993,548	2097	133,154
2032	6,598,437	2065	3,823,240	2098	103,918
2033	6,629,113	2066	3,655,102	2099	79,767
2034	6,829,693	2067	3,489,355	2100	60,157
2035	6,562,904	2068	3,326,192	2101	44,519
2036	7,116,611	2069	3,165,733	2102	32,294
2037	7,417,703	2070	3,008,066	2103	22,935
2038	7,209,718	2071	2,853,262	2104	15,927
2039	6,837,035	2072	2,701,353	2105	10,803
2040	7,076,032	2073	2,552,335	2106	7,149
2041	7,133,741	2074	2,406,148	2107	4,610
2042	7,140,136	2075	2,262,688	2108	2,894
2043	6,997,571	2076	2,121,859	2109	1,768
2044	6,674,342	2077	1,983,595	2110	1,049
2045	6,980,715	2078	1,847,885	2111	604
2046	7,505,100	2079	1,714,831	2112	338
2047	6,822,303	2080	1,584,609	2113	185
2048	6,644,859	2081	1,457,462	2114	97
2049	6,492,287	2082	1,333,706	2115	51
2050	6,491,402	2083	1,213,708	2116	25
2051	6,328,612	2084	1,097,866	2117	13
2052	6,071,997	2085	986,605	2118	7
2053	5,962,347	2086	880,365	2119	2
2054	5,748,144	2087	779,613	2120	1
				2121	0



## Actuarial Funding Policy

**WHEREAS**, the City of Southgate Police and Fire Retirement System (“Retirement System”) is established and administered pursuant to the provisions of Public Act 345 of 1937, as amended (MCL 38. 551 *et seq.*), applicable collective bargaining agreements, and applicable state and federal laws including, but not limited to Public Act 314 of 1965, as amended (“Act 314”) [MCL 38.1132 *et seq.*], and

**WHEREAS**, the Board of Trustees of the Retirement System (“Board”) is vested with the authority and fiduciary responsibility for the administration, management and operation of the Retirement System, and

**WHEREAS**, the Board, in consultation with its Actuary, has an obligation to establish the economic and demographic assumptions to be utilized in performing the required actuarial valuation of the Retirement System and in determining the required annual employer contribution to the Retirement System, and

**WHEREAS**, the Board is aware of upcoming changes to the accounting and reporting standards approved by the Governmental Accounting Standards Board (GASB) for public pension plans, and

**WHEREAS**, the Board wishes to establish a formal Actuarial Funding Policy addressing the funding objectives and actuarial assumptions to be utilized in determining the funding status of the Retirement System, therefore be it

**RESOLVED**, that the Board hereby adopts the following Actuarial Funding Policy:

**I. GENERAL**

**A. Purpose**

- (1) In light of upcoming changes to the GASB financial accounting and reporting standards for public pension plans, the Board of Trustees of the Retirement System desires to establish a formal Actuarial Funding Policy to ensure the systematic funding of future pension obligations of the Retirement System.

**B. Policy Objectives**

- (1) Maintain adequate levels of assets sufficient to fund all benefits expected to be paid to members and beneficiaries when due.
- (2) Maintain stability of employer contributions rates, consistent with other funding objectives.
- (3) Support the public policy goals of accountability and transparency.
- (4) Monitor material risks to assist in any risk management strategies the Board deems appropriate.



- (5) Promote intergenerational equity. Each generation of members and employers should incur the cost of benefits for the employees who provide services to them, rather than deferring costs to future members and employers.
- (6) Provide a reasonable margin for adverse experience to offset risk.
- (7) Review the Plan's investment return assumption, potentially in conjunction with a periodic asset liability study and in consideration of the Board's risk profile.
- (8) Continue the systematic reduction of the Plan's Unfunded Actuarial Accrued Liabilities (UAAL).

## **II. LEGAL**

### **A. Annual Actuarial Valuation**

- (1) Section 20h(4) of Act 314 [MCL 38.1140h(4)], requires the Retirement System to have an actuarial valuation performed annually as follows:

Except as otherwise provided in this subsection, a system shall have an annual actuarial valuation with assets valued on a market-related basis. The actuarial present value of total projected benefits shall include all pension benefits to be provided by the system to members or beneficiaries pursuant to the terms of the system and any additional statutory or contractual agreements to provide pension benefits through the system that are in force at the actuarial valuation date, including, but not limited to, service credits purchased by members, deferred retirement option plans, early retirement programs, and postretirement adjustment programs. A system that has less than \$20,000,000.00 is only required to have an actuarial valuation as required under this subsection done every other year.

### **B. Annual Employer Contribution**

- (1) The Board is required, pursuant to Section 20m of Act 314 [MCL 38.1140m], to annually certify the annual required contribution to be made by the employer as follows:

The governing board vested with the general administration, management, and operation of a system or other decision-making body that is responsible for implementation and supervision of any system shall confirm in the annual actuarial valuation required under section 20h and the summary annual report required under section 13 that each system under this act provides for the payment of the required employer contribution as provided in this section and shall confirm in the summary annual report that the system has received the required employer contribution for the year covered in the summary annual report. The required employer contribution is the actuarially determined contribution amount. An annual required employer contribution in a system under this act shall consist of a current service cost payment and a payment of at least the annual accrued amortized interest on any unfunded actuarial liability and the payment of the



annual accrued amortized portion of the unfunded principal liability. For fiscal years that begin before January 1, 2006, the required employer contribution shall not be determined using an amortization period greater than 40 years. Except as otherwise provided in this section, for fiscal years that begin after December 31, 2005, the required employer contribution shall not be determined using an amortization period greater than 30 years. In a plan year, any current service cost payment may be offset by a credit for amortization of accrued assets, if any, in excess of actuarial accrued liability. A required employer contribution for a system administered under this act shall allocate the actuarial present value of future plan benefits between the current service costs to be paid in the future and the actuarial accrued liability. The governing board vested with the general administration, management, and operation of a system or other decision-making body that is responsible for implementation and supervision of a system shall act upon the recommendation of an actuary and the board and the actuary shall take into account the standards of practice of the Actuarial Standards Board of the American Academy of Actuaries in making the determination of the required employer contribution.

### **III. POLICY**

#### **A. Actuarial Cost Method**

- (1) The individual entry age normal actuarial cost method of valuation shall be utilized in determining actuarial accrued liability and normal cost with the following characteristics:
  - (a) the annual normal costs for each individual active member, payable from the date of employment to the date of retirement, are sufficient to accumulate the value of the member's benefit at the time of retirement; and
  - (b) each annual normal cost is a constant percentage of the member's year by year projected covered pay.
- (2) Differences in the past between assumed experience and actual experience (actuarial gains and losses) shall be factored into the actuarial accrued liability.
- (3) The normal cost shall be determined on an individual basis for each active member.

#### **B. Asset Smoothing Method**

- (1) The investment gains or losses of each valuation period, resulting from the difference between actual investment return and assumed investment return, shall be recognized annually in level amounts over a period not to exceed five (5) years in calculating the funding value of assets.

### **C. Amortization Method**

- (1) A level percent of payroll amortization method shall be used to systematically pay off the unfunded actuarial accrued liabilities over a closed amortization period not to exceed 30 years.
- (2) Unfunded liabilities associated with benefit changes or assumption changes shall be funded over a period to be determined by the Board in consultation with its actuary.
- (3) Unfunded liabilities arising from benefit changes provided to retirees or in conjunction with early retirement incentive programs offered by the employer shall be separately funded over a period to be determined by the Board in consultation with its actuary.
- (4) In the event that the Retirement System's assets exceed its liabilities, all amortization schedules other than those related to benefit changes for retirees or early retirement incentive programs offered by the employer shall be considered completed, and employer contributions will be set based upon the normal cost and the completion of any remaining amortizations due to benefit changes for retirees or early retirement incentive programs offered by the employer, without regard to the overfunding status of the Retirement System.

### **D. Assumptions**

- (1) The economic and demographic actuarial assumptions utilized to determine the contribution requirements and benefit values of the Retirement System shall be determined by the Board in consultation with its actuary.

### **E. Funding Target**

- (1) The targeted funded ratio of the Retirement System shall be 100%.
- (2) The employer contribution rate shall at least be equal to the normal cost unless the funded ratio of the Retirement System exceeds 120%.
- (3) A funding plan shall be developed by the Board in consultation with its actuary if the funded ratio of the Retirement System falls below 50%, which may include additional funding requirements.

### **F. Risk Management**

- (1) Assumption Changes
  - (a) The actuarial assumptions utilized to determine the annual contribution requirements and valuations shall be those last adopted by the Board based on the most recent experience study and upon the advice and recommendation of the Board's actuary. The Board's actuary shall conduct an experience study at least once every five years. The results of the experience study shall be the basis for the actuarial assumptions recommended to the Board.
- (2) The actuarial assumptions that are in effect at the time of a Member's retirement shall be those used for the purpose of pension benefit calculations.



- (b) The actuarial assumptions may be revised during the five-year period between experience studies if significant plan design changes or other significant economic events occur, as advised by the actuary.
- (2) Risk Measures. The following risk measures will be annually determined to provide quantifiable measurements of risk as it applies to the Retirement System.
  - (a) Funded ratio;
  - (b) Unfunded actuarial accrued liabilities – the years required to pay down the unfunded liabilities of the Retirement System based upon the current funding schedule;
  - (c) Total unfunded actuarial accrued liabilities as a percentage of total payroll;
  - (d) Total assets as a percentage of total payroll; and
  - (e) Total actuarial accrued liabilities as a percentage of total payroll.
- (3) Risk Control
  - (a) The Board shall carefully monitor the risk measures identified above and shall consider steps to mitigate risk, particularly as the funded ratio increases.

#### **IV. REVIEW AND AMENDMENT**

##### **A. Periodic Review**

- (1) This Actuarial Funding Policy shall be reviewed no less frequently than once every five years in conjunction with the required experience study performed by the Board's actuary, and may be reviewed at any time at the Board's discretion.

##### **B. Amendment**

- (1) The Board, in consultation with its Actuary and Legal Counsel, may amend this Actuarial Funding Policy at any time as deemed necessary to address changes in the makeup, benefit structure and/or funding status of the Retirement System.

## APPENDIX II

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### RISK COMMENTARY



## Risk Commentary

The determination of the accrued liability and the actuarially determined contribution requires the use of assumptions regarding future economic and demographic experience. Risk measures, as illustrated in this report, are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the accrued liability and the actuarially determined contribution that result from the differences between actual experience and the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period, or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the plan's future financial condition include:

- **Investment Risk** – actual investment returns may differ from the expected returns;
- **Asset/Liability Mismatch** – changes in asset values may not match changes in liabilities, thereby altering the gap between the accrued liability and assets and consequently altering the funded status and contribution requirements;
- **Contribution Risk** – actual contributions may differ from expected future contributions. For example, actual contributions may not be made in accordance with the plan's funding policy or material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base;
- **Salary and Payroll Risk** – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
- **Longevity Risk** – members may live longer or shorter than expected and receive pensions for a period of time other than assumed; and
- **Other Demographic Risks** – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected.

The effects of certain trends in experience can generally be anticipated. For example if the investment return since the most recent actuarial valuation is less (or more) than the assumed rate, the cost of the plan can be expected to increase (or decrease). Likewise if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.

The computed contribution amount shown on page A-2 may be considered as a minimum contribution rate that complies with the Board's funding policy. The timely receipt of the actuarially determined contributions is critical to support the financial health of the plan. Users of this report should be aware that contributions made at the actuarially determined amounts do not necessarily guarantee benefit security.



## Risk Commentary (Concluded)

### Plan Maturity Measures

Risks facing a pension plan evolve over time. A young plan with virtually no investments and paying few benefits may experience little investment risk. An older plan with a large number of members in pay status and a significant trust may be much more exposed to investment risk. Generally accepted plan maturity measures include the following:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Ratio of the market value of assets to payroll	11.21	9.00	8.89	9.16
Ratio of actuarial accrued liability <sup>1</sup> to payroll	16.11	16.16	14.38	14.49
Ratio of actives to retirees and beneficiaries	0.58	0.63	0.69	0.69
Ratio of net cash flow to market value of assets	-3.4%	-1.1%	-2.0%	-1.3%

<sup>1</sup> Includes excess earnings reserve.

### Ratio of Market Value of Assets to Payroll

The relationship between assets and payroll is a useful indicator of the potential volatility of contributions. For example, if the market value of assets is 10.0 times the payroll, a return on assets 5% different than assumed would equal 50% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in plan sponsor contributions as a percentage of payroll.

### Ratio of Actuarial Accrued Liability to Payroll

The relationship between actuarial accrued liability and payroll is a useful indicator of the potential volatility of contributions for a fully funded plan. A funding policy that targets a funded ratio of 100% is expected to result in the ratio of assets to payroll and the ratio of liability to payroll converging over time. The ratio of liability to payroll may also be used as a measure of sensitivity of the liability itself. For example, if the actuarial accrued liability is 2.5 times the payroll, a change in liability 2% other than assumed would equal 5% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in liability (and also plan sponsor contributions) as a percentage of payroll.

### Ratio of Actives to Retirees and Beneficiaries

A young plan with many active members and few retirees will have a high ratio of actives to retirees. A mature open plan may have close to the same number of actives to retirees resulting in a ratio near 1.0. A super-mature or closed plan may have significantly more retirees than actives resulting in a ratio below 1.0.

### Ratio of Net Cash Flow to Market Value of Assets

A positive net cash flow means contributions exceed benefits and expenses. A negative cash flow means benefit and expenses exceed contributions and existing funds are being used to make payments. A certain amount of negative net cash flow is generally expected to occur when benefits are prefunded through a qualified trust. Large negative net cash flows as a percent of assets may indicate a super-mature plan or a need for additional contributions.

### Additional Risk Assessment

Additional risk assessment is outside the scope of the annual actuarial valuation. Additional assessment may include scenario tests, sensitivity tests, stochastic modeling, stress tests, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability.





January 5, 2022

Mr. Marc Hatfield, Secretary  
City of Southgate  
14730 Reaume Parkway  
Southgate, Michigan 48195

Dear Marc:

Please find enclosed 10 copies of the report of the 67<sup>th</sup> Annual Actuarial Valuation as of June 30, 2021 for the City of Southgate Policemen and Firemen Retirement System. We look forward to meeting with you to review the report.

Sincerely,  
Gabriel, Roeder, Smith & Company

A handwritten signature in black ink that reads "Rebecca L. Stouffer". The signature is written in a cursive, flowing style.

Rebecca L. Stouffer, ASA, FCA, MAAA

RLS:rmn  
Enclosures

cc: David Angileri, Finance Director (+ 2 report copy)  
Darcie Cheney, Asst. Finance Director (+1 report copy)  
Jack Timmony (+1 report copy)

# EXHIBIT - 7



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# City of Southgate Policemen and Firemen Retirement System

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## Summary Annual Report to Members for Period Ending June 30, 2021

Dear Retirement System Member:

The Retirement System, which is managed by the Retirement Board, is designed to help you meet your financial needs should you become disabled, retire or die. **The City also supports a Retiree Health Insurance Program, which is separate from the Retirement System.**

The Retirement Board's fiduciary responsibility to you is to supervise the general administration of the System and invest its assets. Our Board retains professional advisors to assist us in fulfilling these duties.

We have prepared this summary report to give you a brief overview of the Retirement System and how it operates. We hope you will find it useful and informative. However, a summary cannot cover all the details of the System, which is governed by the provisions of the City's charter, the City's retirement ordinance, any applicable collective bargaining agreements, and the Retirement Board's official rules and regulations. Additional information about the System and its financial operation is available in the City Treasurer's office.

Respectfully submitted,  
Retirement Board  
City of Southgate Policemen and Firemen  
Retirement System

### ***Board Members***

- Marc Hatfield, Secretary
- Robert Lukofsky, Chairman
- Ken Brown, Trustee
- James Dallos, Trustee
- Gordy Mydlarz, Trustee
- 

### ***Investment Consultant***

Morgan Stanley Graystone Consulting  
•

### ***Plan Administrator***

Marc Hatfield  
•

### ***Custodial Bank***

Comerica Bank  
•

### ***Actuaries and Consultants***

- Gabriel, Roeder, Smith & Company

### ***Legal Counsel***

- VanOverbeke, Michaud & Timmony, P.C

### ***Auditors/Accountants***

- Plante Moran

### ***Medical Director***

- MES Solutions

### ***Investment Managers***

- |                  |                     |
|------------------|---------------------|
| • Alidade Fund   | • Loomis            |
| • Ancora         | • Metropolitan      |
| • Aristotle      | • Oaktree           |
| • Blackstone     | • Reinhart Partners |
| • Edgewood       | • Vanguard          |
| • Entrust        | • Western Core      |
| • First Eagle    |                     |
| • Goldman Sachs  |                     |
| • Graham         |                     |
| • Hamlin Capital |                     |
| • Kopernik       |                     |

## Summary Results of the Actuarial Valuation

Your Retirement System's financial objective is to accumulate the assets necessary to pay the promised benefits in an orderly manner. To accomplish this, contribution requirements are established in a manner that is designed to keep those amounts approximately level from year-to-year. Contribution levels provide for the payment of the required employer contribution in compliance with Section 20m of Michigan Public Act 314 of 1965 as amended.

To determine an appropriate Employer contribution level for the ensuing year and to gauge how the System's funding is meeting this fundamental objective, an independent firm of actuaries and employee benefit consultants, Gabriel, Roeder, Smith & Company, conducts annual actuarial valuations.

These valuations are based on your System's past experience, information about current participation and financial markets, and assumptions concerning the System's future demographic and economic activity. The results of the June 30, 2021 valuation, based on continuing the established funding objective, are summarized below:

Valuation Date	June 30, 2021
Actuarial Cost Method	Individual Entry-Age Actuarial Cost Method
Amortization Method	Level Percent-of-Payroll
Remaining Amortization Period	15, 14, 6, 5, 3 years closed
Plan Status	Open to new hires
Asset Valuation Method	4-year smoothed market; 80%/120% corridor
Valuation Payroll	\$5,086,232
Annual Pensions Paid	\$5,850,096
Average Annual Pensions Paid	\$53,183
Retirees and Beneficiaries Receiving Benefits	110
Terminated Plan Members Entitled to but not yet Receiving Benefits	1
Active Plan Members	64
Total	175
Principal Actuarial Assumptions:	
– Net Investment Return	7.00%
– Projected Salary Increases	3.1% - 5.9%
– Assumed Rate of Payroll Growth	3.0%
– Assumed Rate of Membership Growth	0%
– Cost-of-Living Adjustments	N/A

### Fiscal Year 2022-2023 Employer Contribution Rates as a Percentage of Active Member Payroll

Contributions for		Funded Status	\$ Millions
Normal Cost of Benefits			
Total	19.40%	Actuarial Accrued Liabilities*	\$81.7
Member Portion	(8.08)%	Valuation Assets (Smoothed Market Value)*	\$51.8
Employer Portion	11.32%	% Funded	63.4%
Unfunded Actuarial Accrued Liability	88.76%		

\* Net of Excess Earnings Reserve Balance.

<b>Estimated Contribution Rate</b>	100.08%
<b>Estimated Dollar Contribution</b>	\$5,400,300

### Actuary's Opinion

It is the actuary's opinion that the contribution amounts recommended in the most recent actuarial report are sufficient to meet the System's financial objective.



## Summary of Current Asset Information

### Revenues & Expenditures

### Investment Performance (Net of Fees) Calendar Year Basis\*

	2020-2021
Market Value - July 1	\$44,862,168
Revenues	
Member Contributions	382,803
Employer Pension Contributions	4,639,422
Net Investment Income	<u>14,060,595</u>
Total	19,082,820
Expenditures	
Benefit Payments and Refund of Member Contributions	<u>6,948,017</u>
Total	6,948,017
Market Value - June 30	<u>\$56,996,971</u>

1-Year	9.23 %
3-Year	6.29 %
5-Year	8.55 %
7-Year	6.01 %
10-Year	6.08 %

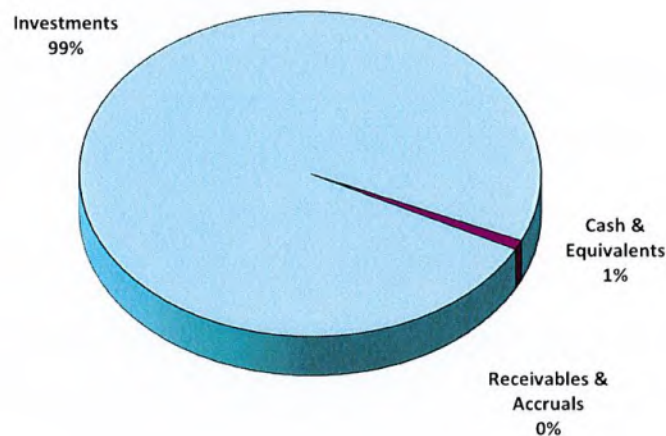
\*Beginning Calendar Year 2020.

### Projected Expenses for 2021-2022

Administrative	\$ 25,000
Investment	236,000
Professional	52,500

The Board of Trustees has confirmed that the employer contributions shown above represent the required employer contribution for the year covered.

### Investments



The market rate of return on System assets net of expenses for the year ended June 30, 2021 was 32.0%.

## Brief Summary of Primary Benefit Provisions

Eligibility	Amount								
Service Retirement									
Age 50 with 25 or more years of service or age 60 regardless of service.			The benefit amounts attributable to service retirements and the conditions under which such benefits may be paid are described below.						
Group	Benefit Formula						Maximum Annual Benefit After Annuity Withdrawal <sup>3,4</sup>	Comment	
	Multiplier x Service			Multiplier x Service					
<b>IAFF Local 1307</b>									
Tier 1: Hired before 7/1/08, retired after 7/1/15			2.69%	first 25	+	1.00%	over 25	\$80,000	1
Tier 2: Hired on 7/1/08 and before 7/2/18, retired after 7/1/15			2.69%	first 25	+	1.00%	over 25	\$70,000	1
Tier 3: Hired after 7/1/18			2.69%	first 25	+	1.00%	over 25	\$70,000	1
<b>Police (COA)</b>									
Tier 1: Hired before 7/1/08, retired after 7/1/15			2.69%	first 25	+	1.00%	over 25	\$80,000	2
Tier 2: Hired on 7/1/08 and before 7/2/18, retired after 7/1/15			2.69%	first 25	+	1.00%	over 25	\$70,000	2
Tier 3: Hired after 7/1/18			2.69%	first 25	+	1.00%	over 25	\$70,000	2
<b>Police Patrol</b>									
Tier 1: Hired before 7/1/08, retired after 7/1/15			2.69%	first 25	+	1.00%	over 25	\$80,000	-
Tier 2: Hired on 7/1/08 and before 7/2/18, retired after 7/1/15			2.69%	first 25	+	1.00%	over 25	\$70,000	-
Tier 3: Hired after 7/1/18			2.69%	first 25	+	1.00%	over 25	\$70,000	-
<b>Current Public Safety Director</b>			2.69%	first 25	+	1.00%	over 25	\$80,000	-

<sup>1</sup> Members promoted to command positions on or after 7/1/06 will be provided the same pension calculations and payout at retirement as they were provided as non-command officers.

<sup>2</sup> Members promoted to COA on or after 7/1/06 will maintain their current benefits unless the COA agreement provides less.

<sup>3</sup> Payable as straight life annuity.

<sup>4</sup> Annuity withdrawal is not offered to members hired after 7/1/18.

### Deferred Retirement

10 or more years of service.

Computed as service retirement but based upon service, FAC and benefit in effect at termination. Benefit begins at date retirement would have occurred had member remained in employment.

### Death After Retirement Survivor's Pension

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.

Spouse's pension equals 60% of the pension the deceased retiree was receiving.

### Non-Duty Death-in-Service Survivor's Pension

Payable to a surviving spouse, if any, upon the death of a member with 10 or more years of service.

Accrued straight life pension actuarially reduced in accordance with an Option I election.

### Duty Death-in-Service Survivor's Pension

Payable upon the expiration of worker's compensation to the survivors of a member who died in the line of duty.

Same amount that was paid by worker's compensation.

### Non-Duty Disability

Payable upon the total and permanent disability of a member with 5 or more years of service.

To Age 55: 1.5% of FAC times years of service.

At Age 55: Same as service retirement pension.

### Duty Disability

Payable upon the total and permanent disability of a member in the line of duty.

To Age 55: 50% of FAC.

At Age 55: Same as service retirement pension with service credit from date of disability to age 55.

### Member Contributions

Police Chief, Fire Chief, and Public Safety Director  
All Others

10.0% of covered compensation.

8.0% of covered compensation.

### FAC Period

All

Average of the highest 3 years of annual compensation during the 10 years immediately preceding retirement.

### Compensation

Base pay and other allowances may be included. See union contracts for specific allowances and limits.



# EXHIBIT - 8

**Sec. 120 Power to tax; limitation.**

The City shall have the power to assess taxes and to lay and collect rents, tolls and excises. The annual general ad valorem tax levy for Municipal purposes shall not exceed 12.5 mills of the assessed value of all real and personal property in the City.