

**City of Wyandotte, Michigan
Department of Municipal Services**

**Financial Report
September 30, 2015**

City of Wyandotte, Michigan

Department of Municipal Services

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Independent Auditor's Report

To the Members of the Municipal
Service Commission
City of Wyandotte, Michigan
Department of Municipal Services

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the City of Wyandotte, Michigan Department of Municipal Services (the "Department") as of and for the year ended September 30, 2015 and the related notes to the financial statements, which collectively comprise the Department'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Members of the Municipal
Service Commission
City of Wyandotte, Michigan
Department of Municipal Services

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of the City of Wyandotte, Michigan Department of Municipal Services as of September 30, 2015 and the changes in 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

We draw attention to Note 1, which explains that these financial statements present only the Department and do not purport to, and do not, present fairly the financial position of the City of Wyandotte as of September 30, 2015, the changes in its financial position, and the changes in its cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the basic financial statements, during the year ended September 30, 2015, the Department adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result of implementing this pronouncement, the Department's net pension liability has been recognized on the statement of net position and, as stated in Note 2, the beginning net position for the year ended September 30, 2015 has been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Members of the Municipal
Service Commission
City of Wyandotte, Michigan
Department of Municipal Services

Report on Summarized Comparative Information

We have previously audited the Department's September 30, 2014 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 27, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2016 on our consideration of the City of Wyandotte, Michigan Department of Municipal Services' 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 Wyandotte, Michigan Department of Municipal Services' internal control over financial reporting and compliance.

Plante & Moran, PLLC

February 11, 2016

City of Wyandotte, Michigan

Department of Municipal Service

Management's Discussion and Analysis

Our discussion and analysis of the City of Wyandotte, Michigan Department of Municipal Services' (the "Department") performance provides an overview of the Department's financial activities for the fiscal year ended September 30, 2015. Please read it in conjunction with the Department's financial statements.

Using this Annual Report

The City of Wyandotte, Michigan Department of Municipal Services (the "Department") is a department created by the City of Wyandotte (the "City") that is governed and operated independently from the City by the Municipal Services Commission (the "Commission"). The Commission provides electric, water, cable television, Internet, and VoIP phone services to users in the City and accounts for these activities in separate funds. This annual report consists of a series of financial statements. The statement of net position and the statement of revenue, expenses, and changes in net position provide information about the financial activities of the Department. This is followed by the statement of cash flows, which presents detailed information about the changes in the Department's cash position during the year.

Financial Highlights

Electric Fund

- The Electric Fund's operating revenue was comparable to the prior year, increasing by approximately 2 percent, while operating expenses decreased by approximately 10.5 percent. The decrease in operating expenses is attributable to the recovery from the higher-than-forecasted market prices and demand for natural gas during the harsh winter of 2014 that had a severe and negative impact on the operating results in the prior fiscal year.
- Accordingly, the Electric Fund's operating income was \$2,307,682 compared to an operating loss of \$3,439,920 in the previous year.
- The Department was required to implement GASB Statement No. 68 during the fiscal year, which requires the recognition of the unfunded pension benefit obligation as a liability for the first time, and a more comprehensive measurement of the annual costs of pension benefits. The impact on operating income for the year ended September 30, 2015 was an additional expense of \$620,896.
- The Department's bond ordinance specifies that the Department's Electric Fund budget should provide net revenue that equals or exceeds 110 percent of its annual debt service requirement. The ratio that measures the relationship between the Department's net revenue and its annual debt service requirement is known as the "debt service coverage ratio." While the 110 percent debt service coverage ratio test is prospective, it is important that the Department's actual results yield net revenue that equals or exceeds 110 percent of the annual debt service requirement. The actual debt service coverage exceeded 110 percent (approximately 1,072 percent for the year ended September 30, 2015).

City of Wyandotte, Michigan

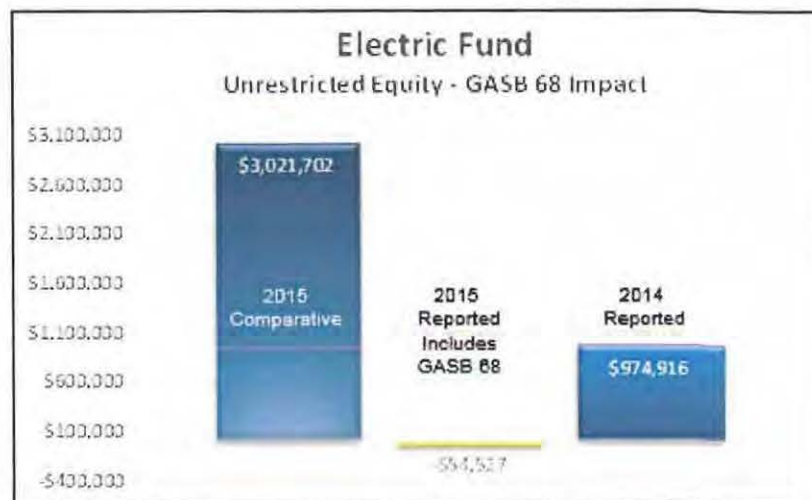
Department of Municipal Services

Management's Discussion and Analysis (Continued)

For the purpose of computing the above debt service coverage ratio, the Department's current year increase to the net other postemployment benefit (OPEB) obligation of \$921,628 for the year ended September 30, 2015 was added back to the computation of amounts available for debt. Refer to Note 14 for additional details regarding net OPEB obligation. Also, for the purpose of computing the above debt service coverage ratio, the Department's current year increase to the net pension liability of \$620,897 was added back to the computation of amounts available for debt. Refer to Note 9 for additional details regarding the net pension liability. It is also worth noting that the debt service coverage ratio was greatly impacted by the issuance of refunding bonds in 2015. Debt service on those bonds in 2016 consists only of interest payments.

- Another financial covenant in the Department's bond ordinance requires actual expenditures of the Department to not exceed budget. The Department's actual operating expenses did not exceed the budget.
- This year's financial statements report unrestricted net position of (\$54,527), which reflects the implementation of GASB Statement No. 68. This statement required the Department to recognize the net pension liability for the first time. Absent the implementation of GASB Statement No. 68, the unrestricted net position would have been \$3,021,702 as compared to \$ 974,916 in the prior year. The increase is indicative of a return to stable operations recovering from the natural gas issues from the prior fiscal year.

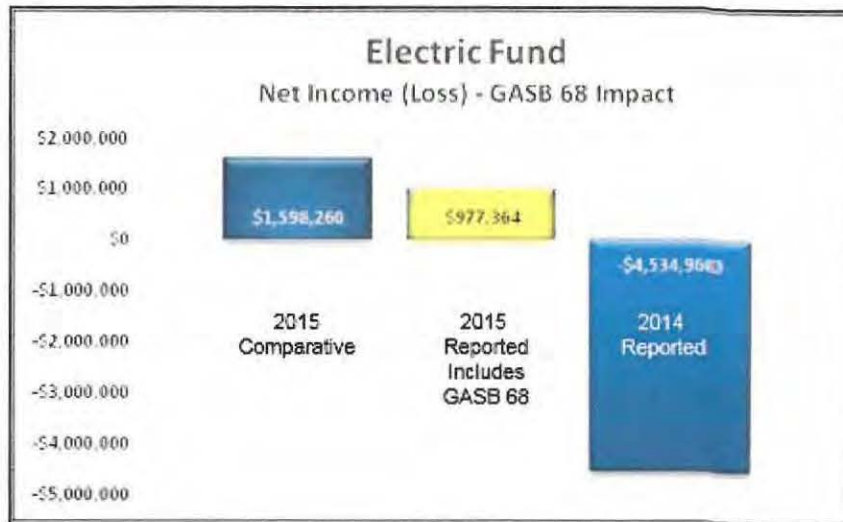
The fund impact of the required implementation of GASB Statement No.68, *Accounting and Financial Reporting for Pensions*, by the Department for the current year is presented below for both unrestricted equity and net income (loss). Comparative results for both unrestricted equity and net income (loss) are also presented for the current year, which represents results absent the implementation of GASB Statement No. 68:



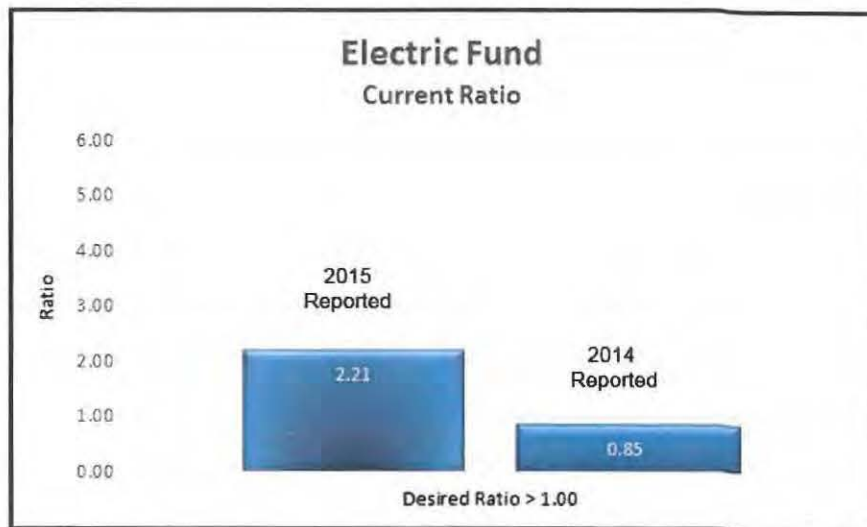
City of Wyandotte, Michigan

Department of Municipal Services

Management's Discussion and Analysis (Continued)



The current ratio for the Electric Fund is also presented, which represents the fund's ability to meet short-term obligations. A desired current ratio would be greater than 1.00. Below are the results for 2015 and 2014:



Water Fund

- The financial performance of the Water Fund remained relatively stable in the current year absent the first time impact of GASB Statement No. 68. Operating revenue increased by approximately 3.5 percent while operating expenses increased by approximately 10.5 percent compared to the prior year. Operating income in the current year decreased by \$185,998 and was \$450,410 at year end.

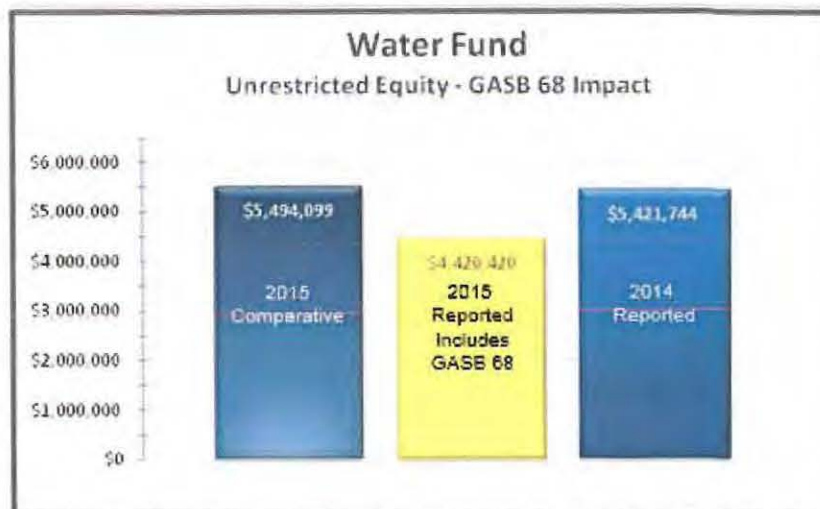
City of Wyandotte, Michigan

Department of Municipal Services

Management's Discussion and Analysis (Continued)

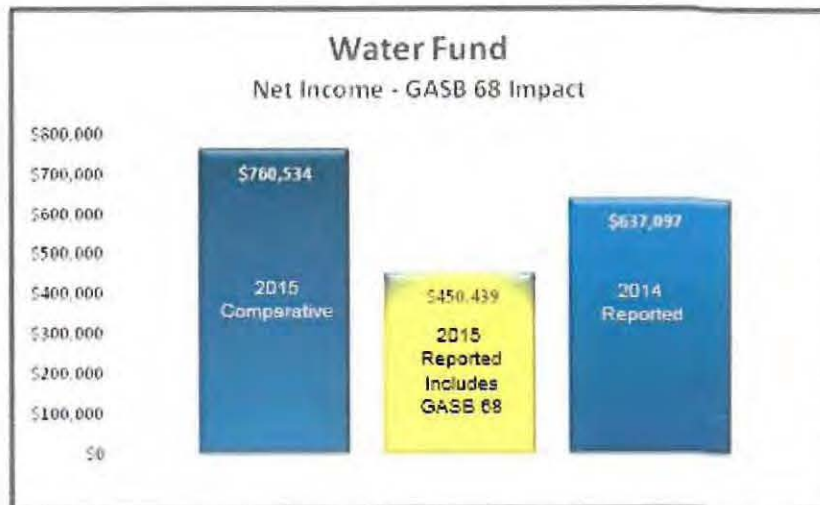
- The primary factor contributing to the increase in operating expenses and corresponding decrease in operating income is the Department's required implementation of GASB Statement No. 68, which requires the recognition of the net pension liability for the first time, and a more comprehensive measurement of the annual costs of pension benefits. The impact on operating income for the year ended September 30, 2015 was an additional expense of \$310,095.
- Through a planned series of water rate adjustments over the past several years, the Water Fund has built adequate working capital and unrestricted net position to address ongoing and necessary infrastructure improvements and maintenance required by the system. One such project in progress is the rehabilitation of the water filter plant, which was approximately 65 percent completed at the end of the fiscal year.
- This year's financial statements report unrestricted net position of \$4,420,420, which reflects the implementation of GASB Statement No. 68 and required the Department to recognize the net pension liability for the first time. Absent the implementation of GASB Statement No. 68, the unrestricted net position would have been \$5,494,099 as compared to \$5,421,744 in the prior year.
- The Department continues to review its rate structure for the water utility, along with other options, to maintain the financial condition of the Water Fund so that operating and capital requirements are met.

The fund impact of the required implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, by the Department for the current year is presented below for both unrestricted equity and net income (loss). Comparative results for both unrestricted equity and net income (loss) are also presented for the current year, which represents results absent the implementation of GASB Statement No. 68.

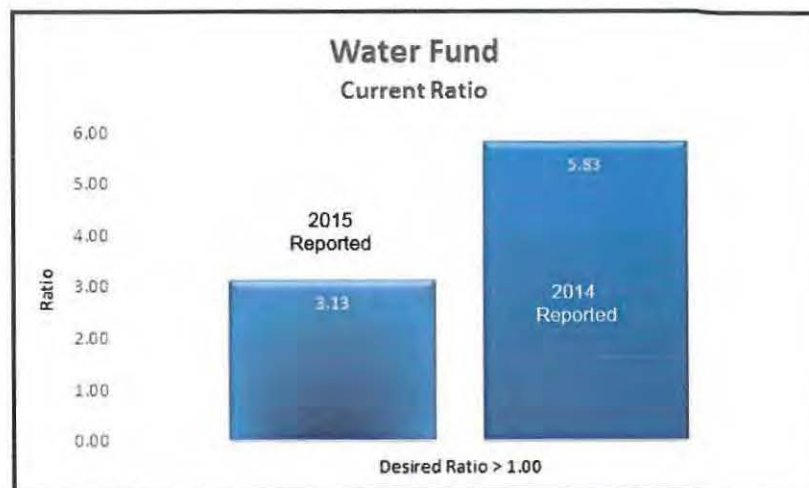


City of Wyandotte, Michigan Department of Municipal Services

Management's Discussion and Analysis (Continued)



The current ratio for the Water Fund is also presented that represents the fund's ability to meet short-term obligations. A desired current ratio would be greater than 1.00. Below are the results for 2015 and 2014:



Cable Television Fund

- The Cable Television Fund's operating revenue decreased by approximately 1 percent compared to the prior year. Operating revenue continues to be impacted by an eroding subscriber base for cable television that has been offset by steady Internet and VoIP revenue streams and by management's implementation of penalties for late payment.

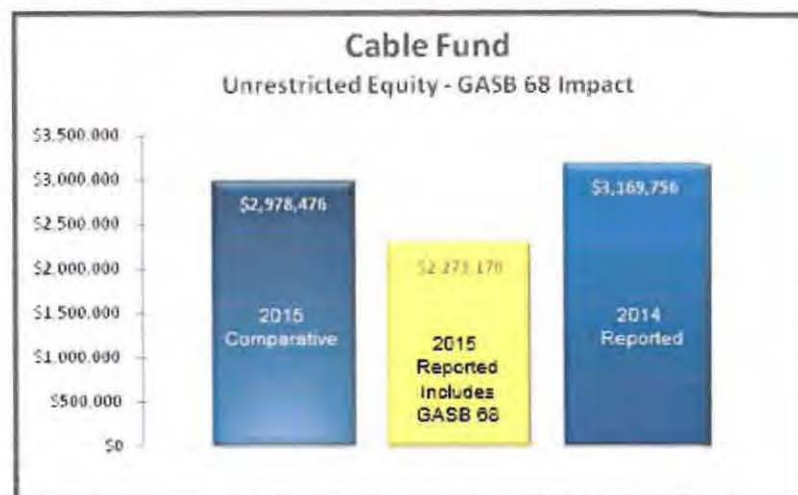
City of Wyandotte, Michigan

Department of Municipal Services

Management's Discussion and Analysis (Continued)

- The Cable Television Fund realized operating income of \$303,479 in the current year. This represented a decrease of \$701,752 in operating income as compared to operating income of \$1,005,231 realized in the prior year. Declining margins on cable television programming due to continued programming royalty increases, which are a major contributing factor to this decline. Other factors that contributed to the decrease in operating income include additional depreciation on recently added capital assets, revisions to shared staffing allocations with the Electric and Water Departments, ongoing increases in retiree benefit obligations, and the costs of necessary additional Internet capacity.
- Through a planned series of cable rate adjustments over the past several years, the Cable Television Fund has restored its working capital and financial condition so that capital requirements have been met without financing through additional debt.
- This year's financial statements report unrestricted net position of \$2,273,170, which reflects the implementation of GASB Statement No. 68 and required the Department to recognize the net pension liability for the first time. Absent the implementation of GASB Statement No. 68, the unrestricted net position would have been \$2,978,476 as compared to \$3,169,756 in the prior year.

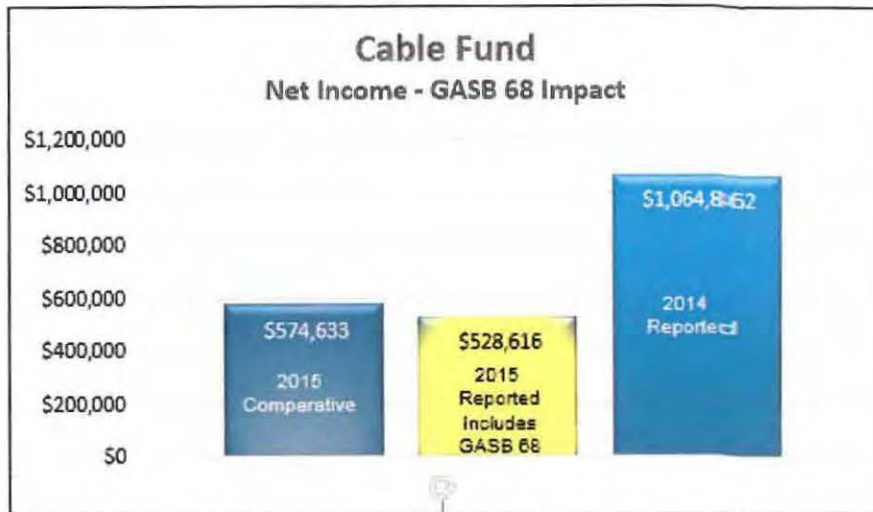
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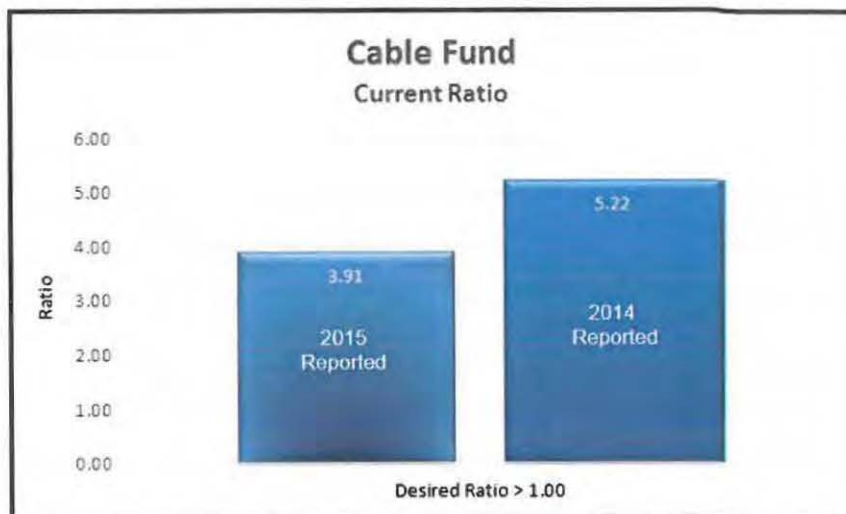
City of Wyandotte, Michigan

Department of Municipal Services

Management's Discussion and Analysis (Continued)



The current ratio for the Cable Television Fund is also presented that represents the fund's ability to meet short-term obligations. A desired current ratio would be greater than 1.00. Below are the results for 2015 and 2014:



City of Wyandotte, Michigan

Department of Municipal Services

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The following table presents condensed information about the Department's financial position compared to the prior year:

	September 30		Change	
	2015	2014*	Amount	Percent
Assets				
Current assets	\$ 24,261,074	\$ 21,723,493	\$ 2,537,581	11.68
Restricted assets	13,569,039	8,270,092	5,298,947	64.07
Property, plant, and equipment	53,198,637	49,973,790	3,224,847	6.45
Long-term receivable	90,000	-	90,000	100.00
Total assets	91,118,750	79,967,375	11,151,375	13.94
Deferred Outflows of Resources	2,765,126	506,853	2,258,273	445.55
Liabilities				
Current liabilities	9,005,763	13,624,564	(4,618,801)	(33.90)
Liabilities payable from restricted assets	848,679	5,300,971	(4,452,292)	(83.99)
Long-term liabilities	47,945,770	24,015,798	23,929,972	99.64
Total liabilities	57,800,212	42,941,333	14,858,879	34.60
Deferred Inflows of Resources	41,001	-	41,001	100.00
Net Position				
Net investment in capital assets	27,893,968	20,704,377	7,189,591	34.72
Restricted	1,509,632	7,262,102	(5,752,470)	(79.21)
Unrestricted	6,639,063	9,566,416	(2,927,353)	(30.60)
Total net position	<u>\$ 36,042,663</u>	<u>\$ 37,532,895</u>	<u>\$ (1,490,232)</u>	(3.97)

* GASB Statement No. 68 was implemented by the Department in fiscal year 2015. Fiscal year 2014 amounts shown have not been modified to reflect the retroactive application of the change.

City of Wyandotte, Michigan

Department of Municipal Services

Management's Discussion and Analysis (Continued)

The following table presents condensed information about the Department's revenue and expenses compared to the prior year:

	Year Ended September 30		Change	
	2015	2014*	Amount	Percent
Total operating revenue	\$ 57,852,859	\$ 56,967,047	\$ 885,812	1.55
Total operating expenses	54,791,288	58,765,328	(3,974,040)	(6.76)
Operating Income (Loss)	3,061,571	(1,798,281)	4,859,852	(270.25)
Other nonoperating expense	(1,105,152)	(1,034,720)	(70,432)	(6.81)
Capital contributions	431,501	-	431,501	n/a
Net Income (Loss)	\$ 2,387,920	\$ (2,833,001)	\$ 5,220,921	(184.29)

* GASB Statement No. 68 was implemented by the Department in fiscal year 2015. Fiscal year 2014 amounts shown have not been modified to reflect the retroactive application of the change.

Capital Asset and Debt Administration

During the current year, the Department purchased various capital assets. The following is a summary of the activity by fund.

The Electric Fund issued Series 2015 Bonds during the fiscal year for the purpose of paying the cost of acquiring and constructing improvements to the City's Electric Utility System and to refund the City's existing outstanding Electric System Revenue Bonds. The most significant capital improvements funded by the bonds during the fiscal year were made to the Transmission & Distribution system, primarily for interconnection redundancy and upgraded transformers. In addition, additional geothermal infrastructure was installed, funded by a capital contribution to the Department.

The most significant capital improvements in the Water Fund were for the rehabilitation of the Water Filter Plant, which was 65 percent completed at the end of the fiscal year. Additional purchases in the Water Fund were made for ongoing water main and water meter replacement.

The Cable Television Fund made infrastructure investments during the year for an Internet homes-per-node reduction and conversion to all digital programming.

Purchases of capital assets for both the Water and Cable Television Funds were funded from operations during the current fiscal year without any additional debt incurred.

City of Wyandotte, Michigan

Department of Municipal Services

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Operations

The Electric Fund has implemented an economic dispatch model for market purchases of electricity and continues to work on alternatives to insure that the utilization of natural gas is as efficient as possible given existing facilities and potential new alternatives to generation in the City.

Through a series of rate adjustments based on the costs to provide service, the Water Fund and Cable Television Fund have improved their financial condition and position to meet recommended working capital and infrastructure needs. Significant capital projects are in progress for both funds and will continue during the next fiscal year. Also, the Cable Television Fund continues to be impacted by the escalating costs for programming requiring a continual evaluation of rates so that any necessary adjustments can be made to match service costs. During the next fiscal year, the Cable Television Fund will update its cost of service plan with the goal of minimizing the ongoing impact of programming royalty increases by adjustment of rates as programmers adjust annually what the Cable Television Fund must pay to them to continue offering the programs that they provide.

Contacting the Department's Management

This financial report is intended to provide our consumers and investors with a general overview of the Department's finances. If you have questions about this report or need additional information, we welcome you to contact the Department's general manager.

City of Wyandotte, Michigan

Department of Municipal Services

Statement of Net Position September 30, 2015 (with comparative totals for September 30, 2014)

	September 30, 2015				September 30, 2014
	Electric Fund	Water Fund	Cable Television Fund	Total	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 2,570,710	\$ 6,731,406	\$ 3,723,043	\$ 13,025,159	\$ 12,454,116
Receivables:					
Billed (Note 4)	4,836,210	484,137	1,009,705	6,330,052	5,139,087
Unbilled customer billings	2,980,801	164,279	-	3,145,080	2,723,709
Due from other governmental units	77,186	-	-	77,186	61,328
Due from other funds (Note 6)	118,403	693	-	119,096	91,778
Fuel, materials, supplies, and other inventories	735,224	100,010	201,412	1,036,646	1,050,001
Prepaid expenses and other assets	446,277	41,394	40,184	527,855	203,474
Total current assets	11,764,811	7,521,919	4,974,344	24,261,074	21,723,493
Noncurrent assets:					
Restricted assets (Note 8)	13,569,039	-	-	13,569,039	8,270,092
Property, plant, and equipment (Note 5):					
Assets not subject to depreciation	5,457,095	2,482,000	6,940	7,946,035	925,538
Assets subject to depreciation	34,503,323	7,328,495	3,420,784	45,252,602	49,048,252
Long-term receivable	90,000	-	-	90,000	-
Total noncurrent assets	53,619,457	9,810,495	3,427,724	66,857,676	58,243,882
Total assets	65,384,268	17,332,414	8,402,068	91,118,750	79,967,375
Deferred Outflows of Resources					
Bond refunding loss being amortized	1,016,945	-	-	1,016,945	506,853
Deferred outflows related to pensions (Note 9)	1,107,635	386,592	253,954	1,748,181	-
Total deferred outflows of resources	2,124,580	386,592	253,954	2,765,126	506,853
Liabilities					
Current liabilities:					
Accounts payable	1,309,256	462,121	873,553	2,644,930	2,801,317
Due to City of Wyandotte (Note 11)	42,587	576,262	10,862	629,711	1,001,484
Due to other funds (Note 6)	-	74,419	44,677	119,096	91,778
Accrued liabilities and other	1,916,344	252,484	263,212	2,432,040	2,633,807
Unearned revenue	-	-	36,968	36,968	236,648
Customer deposits and other current liabilities	1,133,149	1,039,186	43,224	2,215,559	1,071,588
Current portion of long-term debt (Note 7)	927,459	-	-	927,459	5,787,942
Total current liabilities	5,328,795	2,404,472	1,272,496	9,005,763	13,624,564
Noncurrent liabilities:					
Liabilities to be paid from restricted assets	848,679	-	-	848,679	5,300,971
Net pension liability (Note 9)	4,157,886	1,451,204	953,304	6,562,394	-
Net OPEB obligation (Note 14)	4,476,021	662,534	748,496	5,887,051	4,712,474
Other noncurrent liabilities	115,090	747,089	54,545	916,724	-
Long-term debt - Net of current portion (Note 7)	34,579,601	-	-	34,579,601	19,303,324
Total noncurrent liabilities	44,177,277	2,860,827	1,756,345	48,794,449	29,316,769
Total liabilities	49,506,072	5,265,299	3,028,841	57,800,212	42,941,333
Deferred Inflows of Resources -					
Deferred inflows related to pensions (Note 9)	25,978	9,067	5,956	41,001	-
Equity					
Net position:					
Net investment in capital assets	16,521,693	8,024,220	3,348,055	27,893,968	20,704,377
Restricted	1,509,632	-	-	1,509,632	7,262,102
Unrestricted	(54,527)	4,420,420	2,273,170	6,639,063	9,566,416
Total net position	\$ 17,976,798	\$ 12,444,640	\$ 5,621,225	\$ 36,042,663	\$ 37,532,895

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

City of Wyandotte, Michigan

Department of Municipal Services

Statement of Revenue, Expenses, and Changes in Net Position Year Ended September 30, 2015 (with comparative totals for year ended September 30, 2014)

	September 30, 2015				September 30, 2014
	Electric Fund	Water Fund	Cable Television Fund	Total	Total
Operating Revenue	\$ 44,367,426	\$ 3,872,398	\$ 9,613,035	\$ 57,852,859	\$ 56,967,047
Operating Expenses					
Production, pumping, and purification	30,358,493	736,529	-	31,095,022	36,440,441
Distribution	1,591,920	869,254	1,183,170	3,644,344	3,787,376
Cable television royalties and retransmission fees	-	-	4,857,792	4,857,792	4,708,962
Customer services	259,550	180,034	30,927	470,511	292,164
Office and administrative	2,611,826	640,978	457,000	3,709,804	3,782,738
General fringes and other	2,440,821	423,487	1,852,657	4,716,965	3,547,298
Transportations	44,518	19,672	27,462	91,652	125,268
Depreciation	4,752,616	552,034	900,548	6,205,198	6,081,081
Total operating expenses	42,059,744	3,421,988	9,309,556	54,791,288	58,765,328
Operating Income (Loss)	2,307,682	450,410	303,479	3,061,571	(1,798,281)
Nonoperating Revenue (Expense)					
Grant revenue	1,172,598	-	-	1,172,598	648,341
Grant expenses	(1,510,396)	-	-	(1,510,396)	(596,101)
Bond issuance costs and amortization	(555,014)	-	-	(555,014)	-
Interest expense	(1,072,234)	-	-	(1,072,234)	(1,265,883)
Investment and other income	634,728	29	225,137	859,894	178,923
Total nonoperating (expense) revenue	(1,330,318)	29	225,137	(1,105,152)	(1,034,720)
Income (Loss) - Before capital contributions	977,364	450,439	528,616	1,956,419	(1,034,720)
Capital Contributions	431,501	-	-	431,501	-
Change in Net Position	1,408,865	450,439	528,616	2,387,920	(2,833,001)
Net Position - Beginning of year - As restated (Note 2)	16,567,933	11,994,201	5,092,609	33,654,743	40,365,896
Net Position - End of year	<u>\$ 17,976,798</u>	<u>\$ 12,444,640</u>	<u>\$ 5,621,225</u>	<u>\$ 36,042,663</u>	<u>\$ 37,532,895</u>

City of Wyandotte, Michigan

Department of Municipal Services

Statement of Cash Flows

Year Ended September 30, 2015

(with comparative totals for year ended September 30, 2014)

	September 30, 2015			September 30, 2014	
	Electric Fund	Water Fund	Cable Television Fund	Total	Total
Cash Flows from Operating Activities					
Cash received from customers	\$ 43,439,675	\$ 3,748,081	\$ 9,501,055	\$ 56,688,811	\$ 57,734,531
Cash payments to suppliers for goods and services	(30,451,243)	1,093,786	(6,320,000)	(35,677,457)	(45,635,929)
Cash payments to employees for services	(6,827,971)	(1,584,393)	(1,479,851)	(9,892,215)	(5,892,651)
Net cash provided by operating activities	6,160,461	3,257,474	1,701,204	11,119,139	6,205,951
Cash Flows from Noncapital Financing Activities					
Interfund borrowing and repayments - Net	(26,625)	61,280	(34,655)	-	-
Receipts (paid to) from City of Wyandotte	(151,680)	(221,198)	1,105	(371,773)	(47,330)
Net cash used in noncapital financing activities	(178,305)	(159,918)	(33,550)	(371,773)	(47,330)
Cash Flows from Capital and Related Financing Activities					
Proceeds from debt issuance	35,803,343	-	-	35,803,343	850,000
Grant revenue	860,132	-	-	860,132	648,341
Grant expenses	(1,197,930)	-	-	(1,197,930)	(596,101)
Proceeds from sales of capital assets	254,654	-	-	254,654	-
Principal and interest paid on capital debt	(9,514,981)	-	-	(9,514,981)	(6,448,457)
Payments to escrow agent	(22,689,290)	-	-	(22,689,290)	-
Purchase of capital assets	(4,546,017)	(3,026,488)	(1,746,184)	(9,318,689)	(2,721,592)
Net cash used in capital and related financing activities	(1,030,089)	(3,026,488)	(1,746,184)	(5,802,761)	(8,267,809)
Cash Flows from Investment Activities - Interest received on investments and other income	700,219	29	225,137	925,385	178,923
Net Increase (Decrease) in Cash and Cash Equivalents	5,652,286	71,097	146,607	5,869,990	(1,930,265)
Cash and Cash Equivalents - Beginning of year	10,487,463	6,660,309	3,576,436	20,724,208	22,654,473
Cash and Cash Equivalents - End of year	<u>\$ 16,139,749</u>	<u>\$ 6,731,406</u>	<u>\$ 3,723,043</u>	<u>\$ 26,594,198</u>	<u>\$ 20,724,208</u>
Reconciliation to Statement of Net Position					
Cash and investments	\$ 2,570,710	\$ 6,731,406	\$ 3,723,043	\$ 13,025,159	\$ 12,454,116
Restricted assets	13,569,039	-	-	13,569,039	8,270,092
Total	<u>\$ 16,139,749</u>	<u>\$ 6,731,406</u>	<u>\$ 3,723,043</u>	<u>\$ 26,594,198</u>	<u>\$ 20,724,208</u>

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

City of Wyandotte, Michigan

Department of Municipal Services

Statement of Cash Flows (Continued)

Year Ended September 30, 2015

(with comparative totals for year ended September 30, 2014)

	September 30, 2015			September 30, 2014	
	Electric Fund	Water Fund	Cable Television Fund	Total	Total
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 2,307,682	\$ 450,410	\$ 303,479	\$ 3,061,571	\$ (1,798,281)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	4,752,616	552,034	900,548	6,205,198	6,081,081
Bad debt expense	86,880	(11,992)	42,165	117,053	536,126
Changes in assets and liabilities:					
Receivables	(1,014,631)	(112,325)	(154,145)	(1,281,101)	231,358
Inventory	143,492	10,969	(141,106)	13,355	116,030
Prepaid insurance and other current assets	(408,833)	3,430	(8,978)	(414,381)	202,177
Accounts payable	(816,811)	314,009	346,415	(156,387)	470,944
Accrued and other liabilities	1,217,749	(39,770)	72,276	1,250,255	(429,668)
Unearned revenue	(187,344)	-	73,289	(114,055)	208,892
Customer deposits and other current liabilities	79,661	2,090,709	267,261	2,437,631	587,292
Net cash provided by operating activities	<u>\$ 6,160,461</u>	<u>\$ 3,257,474</u>	<u>\$ 1,701,204</u>	<u>\$ 11,119,139</u>	<u>\$ 6,205,951</u>
Noncash Item - Capital contribution from BASF	<u>\$ 431,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 431,501</u>	<u>\$ -</u>

City of Wyandotte, Michigan

Department of Municipal Services

Notes to Financial Statements
September 30, 2015

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Department conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Department of Municipal Services (the "Department") is a department created by the City of Wyandotte, Michigan (the "City") that is governed and operated independently from the City by the Municipal Service Commission (the "Commission"). The Commission provides electric, water, cable television, and Internet services to users in the City and accounts for these activities in the following separate major funds: Electric Fund, Water Fund, and Cable Television Fund.

The funds of the Department are included in the basic financial statements of the City at September 30, 2015 as enterprise funds.

Accounting and Reporting Principles

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

Report Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Governmental accounting principles that require financial reports to include two different perspectives - the government-wide perspective and the fund-based perspective - do not apply.

Basis of Accounting

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations.

The operating revenue represents billings to customers based primarily on usage by the Department's customers. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

City of Wyandotte, Michigan

Department of Municipal Services

Notes to Financial Statements

September 30, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash and Cash Equivalents - Cash and cash equivalents consists of cash on hand. In addition, the statement of cash flows includes both restricted and unrestricted cash equivalents.

Inventories and Prepaid Items - Inventories are valued at lower of cost or market, determined by the average cost method for general inventory and determined by the first-in, first-out basis for coal inventory. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items.

Restricted Assets - Certain assets are restricted pursuant to contractual restrictions, grant reserves, and unspent bond proceeds. Refer to Note 8 for further discussion.

Significant Customers - The Electric Department has three significant customers: BASF Corporation, Wayne County Sewage/Pumping Station, and Wyandotte Henry Ford Hospital, representing approximately 23, 8, and 3 percent, respectively, of the Electric Department's operating revenue for the year ended September 30, 2015.

The Water Department has three significant customers: BASF Corporation, Wayne County Sewage/Pumping Station, and The Department of Municipal Services' Electric Department, representing approximately 20, 9, and 7 percent, respectively, of the Water Department's operating revenue for the year ended September 30, 2015.

Property, Plant, and Equipment - Property, plant, and equipment are recorded at cost or, if donated, at their estimated fair value on the date donated. Property, plant, and equipment are defined by the Department as assets with an estimated useful life of more than one year. Interest incurred during the construction of capital assets being financed is included as part of the capitalized value of the assets constructed. During the current year, there was no interest expense capitalized.

City of Wyandotte, Michigan

Department of Municipal Services

Notes to Financial Statements

September 30, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Lives (Years)
Utility plant	20-25
Transmission	10-15
Pumping	40-50
Purification	20-40
Distribution	10-15
Transportation	4-15
Stores	10-15
Cable equipment	10
Studio	10-15
General	5-10

Long-term Obligations - In the financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred.

Unearned Revenue - Unearned revenue relates to a contract in the Cable Television Fund between the Department and Wyandotte Public Schools related to construction and usage of the Department's fiber optic cable system. Monies received in advance will be recognized over the term of the contract.

Other Current and Noncurrent Liabilities - During the year, the Department acquired capital assets through arrangements in which the payment terms were spread through fiscal year 2019. The liabilities total approximately \$2 million with \$1.1 million due in fiscal year 2016.

City of Wyandotte, Michigan

Department of Municipal Services

Notes to Financial Statements
September 30, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Department has two items that qualify for reporting in this category. They are deferred charges on bond refunding loss and deferred outflows of resources related to pensions. This refunding loss results from the difference in the carrying value of the refunded debt and the reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pensions result from variances between the plan's actual investment earnings compared to the plan's assumed investment earnings, and changes in assumptions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Department has one item that qualifies for reporting in this category, deferred inflow of resources related to pensions. The deferred inflow of resources related to pensions results from differences between projected and actual experience.

Net Position Flow Assumption

Sometimes the Department will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Department's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

City of Wyandotte, Michigan

Department of Municipal Services

Notes to Financial Statements
September 30, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

Pension - The Department offers a defined benefit pension plan to its employees. The Department records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wyandotte Employees' Retirement System and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In addition, the Department provides retirement benefits to all employees hired after October 1, 2006 through a defined contribution plan and retiree health savings plan.

Other Postemployment Benefit Costs - The Department offers retiree healthcare benefits to retirees. The Department receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the statement of net position, the Department reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

Compensated Absences (Vacation and Sick Leave) - It is the Department's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Department does not have a policy to pay any amounts when employees separate from service with the Department. All vacation pay is accrued when incurred in the statement of net position.

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

City of Wyandotte, Michigan

Department of Municipal Services

Notes to Financial Statements September 30, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

Emissions Allowance - The Environmental Protection Agency has granted emissions allowances to the Department related to the emission of certain pollutants. No amounts are recorded at the date of the grant. The Department estimates the allowances needed for future years. As appropriate, the Department may purchase additional allowances or sell the estimated future excess allowances. The purchase and sale of allowances by emission type are accounted for separately and are not offset against transactions involving allowances of different emission types. Purchased allowances net of proceeds from the sale of related allowances are recorded as an asset and will be expensed during the applicable period. Proceeds from the sale of allowances are recognized as income at the time of sale. There were no emissions allowances purchased or sold in the current year.

Comparative Data/Reclassifications - Comparative total data for the prior year has been presented in total for the Department. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Note 2 - Change in Accounting

During the current year, the Department adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the financial statements now include a liability for unfunded legacy costs. Some of the changes in this net pension liability will be recognized immediately as part of the pension expense measurement, and part will be deferred and recognized over future years. Refer to the pension note for further details.

The beginning net position for the year ended September 30, 2015 has been restated in order to adopt GASB Statement No. 68. The effect of this new accounting standard was a decrease in net position to record the net pension liability at the beginning of the current fiscal year. The fiscal year 2014 financial statements have not been restated due to the lack of information available related to the net pension liability and related activity for that year.

City of Wyandotte, Michigan
Department of Municipal Services

Notes to Financial Statements
September 30, 2015

Note 2 - Change in Accounting (Continued)

The effect of this change is as follows:

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Cable Television Fund</u>
Net position - September 30, 2014 - As previously reported	\$ 19,023,266	\$ 12,757,785	\$ 5,751,844
Adjustment of GASB Statement No. 68	<u>(2,455,333)</u>	<u>(763,584)</u>	<u>(659,235)</u>
Net position - September 30, 2014 - As restated	<u>\$ 16,567,933</u>	<u>\$ 11,994,201</u>	<u>\$ 5,092,609</u>

Note 3 - Deposits and Investments

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

The Department has designated two banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Department's deposits and investment policies are in accordance with statutory authority.

City of Wyandotte, Michigan

Department of Municipal Services

Notes to Financial Statements September 30, 2015

Note 3 - Deposits and Investments (Continued)

The Department's cash is subject to custodial credit risk, which is 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 Department's deposits may not be returned to it. The Department's deposits are comprised of checking and certificates of deposit accounts which approximate \$25,618,000 at September 30, 2015. The Department's federal depository insurance coverage is combined with all of the deposits of the City of Wyandotte, Michigan; hence, the specific coverage pertaining to the deposits of the Department cannot be determined. The City of Wyandotte (and therefore the Department) does not have a deposit policy for custodial credit risk. The organization as a whole 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 Department 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.

Note 4 - Billed and Unbilled Accounts Receivable

Billed accounts receivable, net of allowance for uncollectible accounts, are as follows:

	2015				2014
	Electric	Water	Cable	Total	Total
Accounts receivable	\$ 4,945,210	\$ 488,637	\$ 1,095,705	\$ 6,529,552	\$ 5,538,587
Less allowance for uncollectibles	(109,000)	(4,500)	(86,000)	(199,500)	(399,500)
Net receivables	<u>\$ 4,836,210</u>	<u>\$ 484,137</u>	<u>\$ 1,009,705</u>	<u>\$ 6,330,052</u>	<u>\$ 5,139,087</u>

Unbilled accounts receivable from customers represent services that have been provided to customers through September 30, 2015 for which billings were processed subsequent to year end.

City of Wyandotte, Michigan
Department of Municipal Services

Notes to Financial Statements
September 30, 2015

Note 5 - Property, Plant, and Equipment

	Balance September 30, 2014	Additions	Disposals and Adjustments	Balance September 30, 2015
Capital assets not being depreciated - Construction in progress	\$ 925,538	\$ 7,025,447	\$ (4,950)	\$ 7,946,035
Capital assets being depreciated:				
Utility plant	113,271,771	-	(9,531)	113,262,240
Transmission	5,911,181	-	-	5,911,181
Pumping	3,294,338	12,443	-	3,306,781
Purification	3,911,391	6,292	-	3,917,683
Distribution	54,762,585	1,431,673	-	56,194,258
Transportation	3,067,550	52,310	(449,080)	2,670,780
Stores	963,421	-	-	963,421
Cable equipment	2,392,034	779,132	-	3,171,166
Studio	576,038	-	-	576,038
General	3,319,115	447,843	-	3,766,958
Total capital assets being depreciated	191,469,424	2,729,693	(458,611)	193,740,506
Accumulated depreciation:				
Utility plant	85,762,549	3,366,298	-	89,128,847
Transmission	5,452,150	90,603	-	5,542,753
Pumping	2,247,649	105,343	-	2,352,992
Purification	3,632,264	28,021	-	3,660,285
Distribution	36,999,488	2,012,752	-	39,012,240
Transportation	2,125,603	199,652	(138,466)	2,186,789
Stores	870,554	8,186	-	878,740
Cable equipment	1,808,754	198,735	-	2,007,489
Studio	530,873	8,260	-	539,133
General	2,991,288	187,348	-	3,178,636
Total accumulated depreciation	142,421,172	6,205,198	(138,466)	148,487,904
Net capital assets being depreciated	49,048,252	(3,475,505)	(320,145)	45,252,602
Net capital assets	\$ 49,973,790	\$ 3,549,942	\$ (325,095)	\$ 53,198,637

Depreciation of \$4,752,616 and \$4,822,351 for the Electric Fund, \$552,034 and \$558,223 for the Water Fund, and \$900,548 and \$700,507 for the Cable Television Fund has been included in operating expenses of the appropriate fund for the years ended September 30, 2015 and 2014, respectively.

City of Wyandotte, Michigan
Department of Municipal Services

Notes to Financial Statements
September 30, 2015

Note 5 - Property, Plant, and Equipment (Continued)

Construction Commitments - The Department has active construction projects and other purchase commitments at year end. The Department's commitments (some with contractors/suppliers, and others committed based on resolution of the Commission and thus considered a future obligation by management) as of September 30, 2015 are as follows:

	Spent to Date	Remaining Commitment
BASF Geothermal Phase II Installation	\$ 755,000	\$ 245,000
Water Filter Plant Rehabilitation	723,000	3,095,436
Substation 6 - Phase IB ITC Redundant Feed	791,905	791,905
Bishop Park Lighting	62,861	237,139
Micro Wind Turbines	13,500	161,500
Substation 7 - MVA Transformers	-	601,969
Total	<u>\$ 2,346,266</u>	<u>\$ 5,132,949</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
Electric Fund	Water Fund	\$ 74,419
	Cable Television Fund	43,984
	Total Electric Fund	118,403
Water Fund	Cable Television Fund	693
	Total	<u>\$ 119,096</u>

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

City of Wyandotte, Michigan
Department of Municipal Services

Notes to Financial Statements
September 30, 2015

Note 7 - Long-term Debt

Outstanding Debt

Long-term debt outstanding is as follows:

	2015		2014
	Interest Rate Ranges	Electric Fund/ Total	Total
2005A Revenue Bonds - Net of unamortized premium	4.00-5.00%	\$ -	\$ 1,210,434
2005B Revenue Bonds - Net of unamortized premium	4.00-4.50%	-	5,157,317
2009 Revenue Refunding Bonds - Net of unamortized premium and deferred outflow	4.00-5.25%	-	18,566,342
2008 installment purchase agreement	4.53%	917,576	1,166,961
2010 installment purchase agreement	4.35%	2,045,250	2,471,012
2011 installment purchase agreement	3.75-4.73%	-	233,930
2012 installment purchase agreement	3.20%	90,522	120,270
2014 installment purchase agreement	2%	735,369	850,000
2015A Revenue Refunding Bonds - Net of unamortized premium	3.50-5.00%	22,878,343	-
2015B Revenue Refunding Bonds	4.92%	8,840,000	-
Less current portion		(927,459)	(5,787,942)
Less portion payable from restricted assets		-	(4,685,000)
Total long-term debt - Net of current portion and amount payable from restricted assets		<u>\$ 34,579,601</u>	<u>\$ 19,303,324</u>

City of Wyandotte, Michigan

Department of Municipal Services

Notes to Financial Statements September 30, 2015

Note 7 - Long-term Debt (Continued)

Changes in Long-term Debt

The following is a summary of long-term debt transactions of the Department for the years ended September 30, 2015 and 2014:

	Long-term Debt - September 30, 2014	Debt Issued	Premiums	Debt Retired	Debt Refunded	Discount	Long-term Debt - September 30, 2015	Due Within One Year
2005 Series A Electric System Revenue Bonds (Net of Premiums)	\$ 1,210,434	\$ -	\$ -	\$ (600,000)	\$ (600,000)	\$ (10,434)	\$ -	\$ -
2005 Series B Electric System Revenue Bonds (Net of Premiums)	5,157,316	-	-	(575,000)	(4,575,000)	(7,316)	-	-
2008 Electric Installment Purchase Agreement	1,166,961	-	-	(249,385)	-	-	917,576	(260,912)
2009 Series A Electric Revenue and Refunding Bonds (Net of Premiums)	18,566,342	-	-	(3,510,000)	(14,670,000)	(386,342)	-	-
2010 Electric Installment Purchase Agreement	2,471,012	-	-	(425,762)	-	-	2,045,250	(459,200)
2011 Electric Installment Purchase Agreement	233,930	-	-	(233,930)	-	-	-	-
2012 Electric Installment Purchase Agreement	120,271	-	-	(29,749)	-	-	90,522	(90,522)
2014 Electric Installment Purchase Agreement	850,000	-	-	(114,631)	-	-	735,369	(116,825)
2014 Electric System Revenue Bond Anticipation Notes	-	4,085,000	-	(2,585,000)	(1,500,000)	-	-	-
2015 Series A Electric System Revenue and Revenue Refunding Bonds	-	21,810,000	1,068,343	-	-	-	22,878,343	-
2015 Series B Electric System Revenue and Revenue Refunding Bonds	-	8,840,000	-	-	-	-	8,840,000	-
Total long-term debt	\$ 29,776,266	\$ 34,735,000	\$ 1,068,343	\$ (8,323,457)	\$ (21,345,000)	\$ (404,092)	\$ 35,507,060	\$ (927,459)

Debt Service Requirements - The annual total principal and interest requirements to service all debt outstanding as of September 30, 2015, excluding unamortized premiums on bonds payable, are as follows:

Years Ending September 30	Principal	Interest	Total
2016	\$ 927,459	\$ 906,661	\$ 1,834,120
2017	1,191,529	1,574,287	2,765,816
2018	1,268,669	1,522,005	2,790,674
2019	2,691,583	1,430,496	4,122,079
2020	1,796,032	1,314,262	3,110,294
2021-2025	9,783,445	5,186,141	14,969,586
2026-2030	5,895,000	3,162,975	9,057,975
2031-2035	3,110,000	2,344,675	5,454,675
2036-2040	3,475,000	1,514,375	4,989,375
2041-2045	4,300,000	559,250	4,859,250
Total	\$ 34,438,717	\$ 19,515,127	\$ 53,953,844

City of Wyandotte, Michigan

Department of Municipal Services

Notes to Financial Statements September 30, 2015

Note 7 - Long-term Debt (Continued)

Interest - For the years ended September 30, 2015 and 2014, total interest costs of \$1,072,234 and \$1,264,261, respectively, were incurred in the Electric Fund and \$0 and \$1,622, respectively, were incurred in the Cable Television Fund.

Current Refundings - During the year, the Department issued \$30,650,000 in Electric System Revenue and Revenue Refunding Bonds with interest ranging from 3.5 percent to 5.0 percent. The proceeds of these bonds plus \$6,828,265 of cash were used to currently refund the Electric System Revenue Bonds - Series 2005A of \$600,000 with interest ranging from 4.0 to 5.0 percent, to currently refund the Electric System Revenue Bonds - Series 2005B of \$4,575,000 with interest ranging from 4.0 to 4.5 percent, to advance refund the Electric System Revenue and Revenue Refunding Bonds - Series 2009A of \$14,670,000 with interest ranging from 4.0 to 5.25 percent, to currently refund the Electric System Revenue Bond Anticipation Notes - Series 2014 of \$1,500,000 with interest ranging from 1.0 to 1.1 percent, and to fund \$15,000,000 of new projects. The net proceeds of \$37,689,291 (after receiving a premium of \$1,068,343 and a payment of \$857,318 in underwriting fees, insurance, and other issuance costs) were used to fund a capital project and to refund the debt issues discussed above. A total of \$22,689,290 of the proceeds was deposited into an escrow fund consisting of cash and investments in U.S. government securities. The funds were deposited into the irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the Electric Fund's long-term debt account. The advance refunding increased the payment period and increased the total debt service payments over the next 30 years by approximately \$2,112,000, which represents an economic loss of approximately \$1,068,000.

Electric Fund Revenue Bonds - The 2015 Series A and B Revenue and Refunding Bonds are payable out of the net revenue before capital contributions of the Electric Fund. During the year, net operating revenue of the system was \$8,227,177. Fiscal year 2016 debt service requirements total \$767,202. The City of Wyandotte, Michigan has no liability for these bonds if the net revenue pledged should prove insufficient.

City of Wyandotte, Michigan

Department of Municipal Services

Notes to Financial Statements September 30, 2015

Note 7 - Long-term Debt (Continued)

An agreement was entered into with BASF for steam service related to the 2005 Revenue Bonds. This agreement provided for reimbursement to the Department for one-half of the principal and associated interest of the 2005 Electric Revenue Bonds (Series A) actually used by the Department to fund the construction of the steam expansion project through December 2010. On January 1, 2011, the initial period expired. Pursuant to language set forth in the original agreement, the customer continues to reimburse the Department a significant portion of the related debt service payments in the form of a "facilities charge." The Department records these facilities charges as revenue upon receipt (at which time it is considered to be earned). BASF satisfied its obligation in August 2015.

The revenue bond ordinance contains certain covenants and provisions that, among other matters, relate to the following:

- Segregation of proceeds of the revenue bond issue
- Segregation of Electric Fund revenue
- Segregation of assets for construction of improvements to the system
- Sale, lease, or other disposition of all or any substantial part of the system
- Granting any franchise or other rights or operating a system that will compete with the system.
- Establishment of rates sufficient to provide for required level of debt service coverage
- Adoption of and adherence to budgeted operation and maintenance expenses

Included in the current liabilities of the Electric Fund at September 30, 2014 is the portion of the bond principal that was to be transferred within the next year to the Bond and Interest Redemption Fund for payment of bond principal. During 2015, the revenue bond ordinance was amended and no longer required segregation of assets for debt service payments so long as they have an insurance surety policy. The Electric Fund has an insurance surety policy in place at September 30, 2015. Therefore, at September 30, 2015, there are no restricted assets to cover future principal and interest payments on the bonds.

City of Wyandotte, Michigan
Department of Municipal Services

Notes to Financial Statements
September 30, 2015

Note 8 - Restricted Net Position

Restricted assets consist of the following:

	2015 Electric Fund/Total	2014 Total
Restricted working capital - MPPA	\$ 1,120,100	\$ 673,100
Debt service	-	7,204,973
Unspent bond proceeds	12,059,407	-
Restricted grant reserves	389,532	392,019
Total restricted assets	13,569,039	8,270,092
Less accrued interest and other items payable from restricted assets other than unspent bond proceeds	-	(1,007,990)
Less unspent bond proceeds	(12,059,407)	-
Total restricted net position	\$ 1,509,632	\$ 7,262,102

All assets legally restricted relate to activity of the Electric Fund. When an expense is incurred that allows the use of restricted assets (such as allowable expenses pursuant to the Electric System Revenue and Revenue Refunding Bonds, Series 2015A and Series 2015B), those assets are applied before utilizing any unrestricted assets.

The assets restricted for MPPA working capital are contractually restricted by way of an energy services agreement entered into with the MPPA by the Department in October 2012.

The unspent bond proceeds relate to the Electric System Revenue and Revenue Refunding Bonds, Series 2015A and Series 2015B. At September 30, 2015, there was \$848,679 of liabilities to be paid from these restricted bond proceeds.

The assets previously restricted for debt service were pursuant to the 1992 revenue bond ordinance for revenue bond debt service. The ordinance was amended during 2015 to remove this restriction.

The assets restricted for for grant reserves represent the balances outstanding as of September 30, 2015 related to grant funds advanced to the Department by the Department of Energy in 2011 to be used for loan loss reserves and interest rate buy-downs on approved energy-related projects for qualifying customers of the Department.

City of Wyandotte, Michigan

Department of Municipal Services

Notes to Financial Statements September 30, 2015

Note 9 - Cost-sharing Defined Benefit Pension Plan

Plan Description - The Department participates in the City of Wyandotte Employees' Retirement System, a defined benefit pension plan that covers all employees of the City hired before October 1, 2006. The plan is a cost-sharing multiple-employer defined benefit pension plan administered by the City of Wyandotte Employees' Retirement System. The City of Wyandotte Employees' Retirement System's financial report (which includes financial statements and required supplemental information for the system) is presented in the City of Wyandotte's September 30, 2015 annual financial report, which may be obtained at the City's offices at 3200 Biddle Avenue.

Benefits Provided - The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefit terms are established and amended by contractual agreements between the City and various employee union representation. Retirement benefits for Department members are calculated as follows:

Final average compensation (FAC) is multiplied by 1.65, 1.7, or 1.7 percent for non-exempt, exempt, and hourly members, respectively. FAC is calculated as the highest three consecutive years out of the last 10.

Plan members with 30 years (25 years for Department hourly employees) of service or age 60 with 10 years of service are eligible to retire. Department employees have a mandatory retirement age of 70 years. All plan members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without actuarial reduction. Death benefits equal the worker's compensation benefit.

The plan is closed to new entrants.

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Retirement System retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The Department's contractually required contribution rate for the year ended September 30, 2015 was 31.72 percent of annual payroll. Contributions to the plan from the Department were \$856,067 for the year ended September 30, 2015. Department employees are not required to contribute.

City of Wyandotte, Michigan
Department of Municipal Services

Notes to Financial Statements
September 30, 2015

Note 9 - Cost-sharing Defined Benefit Pension Plan (Continued)

Net Pension Liability, Deferrals, and Pension Expense

At September 30, 2015, the Department reported a liability of \$6,562,394 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014, which used update procedures to roll forward the estimated liability to September 30, 2015. The Department's proportion of the net pension liability was based on the Department's actuarially required contribution for the year ended September 30, 2015, relative to all other contributing employers. At September 30, 2015, the Department's proportion was 20 percent, which was an decrease of 2 percent from its proportion measured as of September 30, 2014.

For the year ended September 30, 2015, the Department recognized pension expense of \$2,105,836. At September 30, 2015, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 41,001
Changes in assumptions	642,606	-
Net difference between projected and actual earnings on pension plan investments	1,105,575	-
Total	<u>\$ 1,748,181</u>	<u>\$ 41,001</u>

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

Years Ending September 30	Amount
2016	\$ 877,998
2017	276,394
2018	276,394
2019	276,394

City of Wyandotte, Michigan

Department of Municipal Services

Notes to Financial Statements September 30, 2015

Note 9 - Cost-sharing Defined Benefit Pension Plan (Continued)

Actuarial Assumptions - The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 %
Salary increases	3.0 % up to 8.0% average, including inflation
Investment rate of return	7.0 % Net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Mortality Table projected seven years with scale MP-2014.

Discount Rate - The discount rate used to measure the total pension liability was 7.0 percent, which was reduced from 7.5 percent since September 30, 2014. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

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

The long-term expected rate of return on pension plan investments was determined using a 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.

City of Wyandotte, Michigan

Department of Municipal Services

Notes to Financial Statements September 30, 2015

Note 9 - Cost-sharing Defined Benefit Pension Plan (Continued)

The target allocation and best estimates of arithmetic real rates of return as of September 30, 2014 for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Domestic fixed income	27 %	1.8 %
International fixed income	13	0.5
Domestic equity	28	4.4
International equity	17	4.9
Hedged strategies	13	3.0
Cash	2	-

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

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability	\$ 8,408,490	\$ 6,562,394	\$ 4,855,443

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the City of Wyandotte's September 30, 2015 annual financial report, which may be obtained at the City's offices at 3200 Biddle Avenue. 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. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Assumption Changes - The plan's board of trustees amended the assumptions used to measure the total pension liability since the September 30, 2013 actuarial valuation. The changes were as follows:

- Actuarial cost method was changed from the aggregate method to the entry-age normal method.

City of Wyandotte, Michigan

Department of Municipal Services

Notes to Financial Statements September 30, 2015

Note 9 - Cost-sharing Defined Benefit Pension Plan (Continued)

- Asset valuation method was changed from market value to a four-year smoothed market value.
- Inflation rate was reduced from 4.5 percent to 2.5 percent.
- Salary increases were changed from a range of 4.5-9.6 percent to a range of 3.0-8.0 percent.
- Investment rate of return was reduced from 7.5 percent to 7.0 percent.
- Retirement age was changed to reflect an experience-based table rather than an age-based table.
- Mortality table was updated from the 1984 Group Annuity Mortality Table set back 0 years for men and six years for women to the RP-2014 Mortality Table projected seven years with scale MP-2014.

Note 10 - Defined Contribution Pension Plan

The Department provides pension benefits that cover all employees of the Department hired on or after October 1, 2006 through a defined contribution plan administered by the City of Wyandotte, Michigan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by a Commission-approved resolution, the Department contributes 10 percent of gross earnings and the employees contribute 5 percent. New employees' accounts are fully vested after five years of service. Employees who choose to switch from the defined benefit plan to the defined contribution plan will be vested immediately. At September 30, 2015, there are 52 employees participating in the defined contribution plan.

The Department's total payroll during the current year was \$3,139,929. The current year contribution was calculated based on covered payroll in the same amount, resulting in an employer contribution of \$288,986 and employee contributions of \$144,439.

City of Wyandotte, Michigan

Department of Municipal Services

Notes to Financial Statements September 30, 2015

Note 11 - Related Party Transactions

City-owned facilities are users of the Department's electric and water services. The Department includes its revenue charges from the sale of such services. Pursuant to the revenue bond ordinance, the Department charges the City for street and public safety lighting services. In turn, the City has charged the Department an equal amount for services in lieu of property taxes. In 2006, the Department also began paying the City a fee for use of City services (i.e., police and fire protection, etc.) and infrastructure. The Department also provides billing and cash collection services for the City's sewer use charges, which are then remitted to the City upon collection. The Department earns a related collection fee for these services.

Included in the Department's cable expenses is a franchise fee payable to the City equal to 5 percent of the gross revenue of the Cable Television Fund for the years ended September 30, 2015 and 2014.

Beginning in 2009, the Water Department began paying the City a franchise fee based on a calculation of the reasonable costs incurred by the City that are attributable to the Department.

A summary of these transactions with the City for the years ended September 30, 2015 and 2014 is as follows:

	2015	2014
Department revenue:		
Electric and water services	\$ 792,299	\$ 682,314
Street and public safety lighting	634,521	634,521
Collection fee	66,564	76,420
Department expenses:		
In lieu of property taxes	(634,521)	(634,521)
Cable television franchise fees	(479,924)	(485,568)
Water franchise fee	(200,000)	(200,000)
City services	(820,347)	(779,808)
Remittances to City for sewage use charge collections	(2,663,914)	(2,477,433)
Payable to City of Wyandotte - Sewage Disposal Fund	(573,261)	(791,208)
Payable to City of Wyandotte - Solid Waste Disposal Fund	(24,588)	(37,749)
Payable to City of Wyandotte - Building Rental Fund	(30,000)	-
Payable to City of Wyandotte - General Fund	(1,862)	(156,518)
Payable to City of Wyandotte - Water mains	-	(6,252)
Payable to City of Wyandotte - Cable	-	(9,757)
Receivable from City of Wyandotte - General Fund	30,100	-

City of Wyandotte, Michigan

Department of Municipal Services

Notes to Financial Statements

September 30, 2015

Note 12 - Risk Management

The Department 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 Department has purchased commercial insurance for claims related to general liability and medical benefits. The Department is partially uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Workers' Compensation - All claims incurred are the responsibility of the Department up to \$2,000,000 per employee (in the case of disease) or \$2,000,000 per accident (for bodily injury). The Department has purchased commercial insurance coverage for claims incurred, which exceed the amounts previously described.

The Department estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the Department's Electric Fund, Water Fund, and Cable Television Fund.

Changes in the estimated liability were as follows:

Estimated liability - October 1, 2013	\$ 261,721
Estimated claims incurred - Net of changes in estimate	(13,467)
Claim payments	<u>(62,025)</u>
Estimated liability - September 30, 2014	186,229
Estimated claims incurred - Net of changes in estimate	85,704
Claim payments	<u>(119,402)</u>
Estimated liability - September 30, 2015	<u>\$ 152,531</u>

City of Wyandotte, Michigan

Department of Municipal Services

Notes to Financial Statements

September 30, 2015

Note 13 - Contingent Liabilities

In March 2005, United Skilled Trades, Inc. (UST) filed a suit against the Department and others. UST alleged that it was owed money from the Department for services rendered pursuant to a contract for repair of a turbine. UST alleged that the Department is indebted to them in the amount of \$1,100,000. The Department vigorously defended its position that no material amounts were due to UST. On February 21, 2008, the Department received a decision in the case. The Court's bench verdict denied most of the claims of UST but did award two of its claims. The Court also ordered that any monies owing UST from this award be reduced by the Department's legal fees and other applicable costs. UST disputed the decision. In March 2010, the judge clarified and amended the earlier bench verdict and entered a judgment awarding \$1.2 million to UST. In May 2010, the Department filed motions to alter and amend judgment for a new trial; however, this was denied by the Circuit Court. On June 2, 2010, the Department filed a claim of appeal with the Michigan Court of Appeals and, as of January 19, 2011, all briefs were filed. Oral arguments were held in the Wayne County Circuit Court in December 2012 and on April 2, 2013, the Michigan Court of Appeals issued its opinion reversing the Court's judgment in part and remanding the case back to the Circuit Court for further proceedings. In November 2014, a Stipulation for Entry of Judgment and Proposed Judgment was jointly presented to the Court and a final settlement agreement was reached in full and final satisfaction of the judgment for \$360,000 was paid in November 2014.

City of Wyandotte, Michigan

Department of Municipal Services

Notes to Financial Statements

September 30, 2015

Note 13 - Contingent Liabilities (Continued)

The Department received a notice of violation several years ago from the U.S. Environmental Protection Agency (EPA) related to the electric power plant and entered into a consent decree with the EPA related to this violation. Under the terms and conditions of the consent decree, the Department was required to pay a \$112,000 penalty and \$220,000 to purchase natural gas vehicles. In addition, the Department is required to install additional controls at the power plant and perform a substantial supplemental environmental project which will achieve continuous compliance with emissions limits. The Department already completed numerous projects at the electric power plant to improve its compliance; however, it is estimated that the cost for the additional controls and project work will be between \$8 million and \$10 million if a baghouse is installed. To address the matter more cost effectively, the Department ceased coal combustion in one of their boilers, began using natural gas in that boiler, and entered into negotiations with the EPA. As part of the negotiations, the Department has proposed that the EPA modify the consent decree to forego the installation of the baghouse if it continues to burn natural gas and no longer burns coal in that boiler. The Department remains committed to working cooperatively with the EPA to resolve all issues of past noncompliance, establish a system of accountability and safeguards to ensure future compliance, and negotiate the terms of a new Consent Decree that will provide for Wyandotte's future generation at the Facility, including the construction of new, natural gas-fired units.

During the year ended September 30, 2014, the Department identified certain issues of noncompliance with the consent decree and reported them to the EPA. The Department has corrected the issues of noncompliance and is currently negotiating a settlement with the EPA. The estimated penalties for noncompliance have been recorded as a liability at September 30, 2015.

The Department also continues to be involved in various contingent matters arising in the normal course of operations. While insurance coverage and other potential remedies are available in certain circumstances to varying degrees, no opinion can currently be given as to the ultimate outcome of these matters. No provision has been made for the ultimate liability, if any, that may result from the resolution of these matters.

Note 14 - Other Postemployment Benefits

Plan Description - The Department provides healthcare benefits to all full-time employees upon retirement in accordance with labor contracts. The Department includes pre-Medicare retirees and their dependents in its insured healthcare plan, with some contribution required by most participants, depending upon employee group classifications. The Department purchases Medicare supplemental insurance for retirees eligible for Medicare.

City of Wyandotte, Michigan

Department of Municipal Services

Notes to Financial Statements September 30, 2015

Note 14 - Other Postemployment Benefits (Continued)

This is a single-employer defined benefit plan administered by the Department. The plan does not issue separate stand-alone financial statements.

At September 30, 2013, the date of the Department's most recent actuarial valuation, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	62
Terminated employees entitled to benefits but not yet receiving them	-
Current active employees	92

Funding Policy - The labor contracts do not require a contribution from union employees. Nonunion employees are required to pay 20 percent of healthcare costs. Retiree healthcare costs are recognized when paid by the Department on a "pay-as-you-go" basis. The Department has no obligation to make contributions in advance of when the insurance premiums are due for payment. Net expenditures for postemployment healthcare benefits are recognized in the Electric, Water, and Cable Television Funds as the insurance premiums become due; these amounts (as adjusted for the implicit rate subsidy pursuant to GASB Statement No. 45) were approximately \$509,000, \$75,000, and \$85,000, respectively, during the year ended September 30, 2015 and \$717,000, \$134,000, and \$106,000 in the Electric, Water, and Cable Television Funds, respectively, during the year ended September 30, 2014.

Funding Progress - For the year ended September 30, 2015, the Department has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of September 30, 2013. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 26 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 1,943,297
Interest on the prior year's net OPEB obligation	212,061
Less adjustment to the annual required contribution	(311,124)
Annual OPEB cost	1,844,234
Amounts contributed - Payments of current premiums	(669,657)
Increase in net OPEB obligation	1,174,577
OPEB obligation - Beginning of year	4,712,474
OPEB obligation - End of year	\$ 5,887,051

City of Wyandotte, Michigan
Department of Municipal Services

Notes to Financial Statements
September 30, 2015

Note 14 - Other Postemployment Benefits (Continued)

Funded status and funding progress for the most recent actuarial valuations are as follows:

	Actuarial Valuation as of September 30		
	2013	2011	2009
Actuarial value of assets	\$ -	\$ -	\$ -
Actuarial accrued liability (AAL) (entry age)	22,203,020	18,428,534	17,381,962
Unfunded AAL (UAAL)	22,203,020	18,428,534	17,381,962
Funded ratio	- %	- %	- %

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

In the September 30, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 3.5 percent after 10 years. Both rates included a 3.5 percent inflation assumption. The actuarial value of assets was determined using market value. The Department was reported with no assets. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at September 30, 2013 was 26 years.

City of Wyandotte, Michigan

Department of Municipal Services

Notes to Financial Statements

September 30, 2015

Note 14 - Other Postemployment Benefits (Continued)

Additional Information - The Department was included in the City of Wyandotte, Michigan's actuarial valuation for the City of Wyandotte Retiree Health Care Plan. Additional information about the plan, including actuarial methods and assumptions, can be found in the City of Wyandotte, Michigan's financial report.

Note 15 - Upcoming Accounting Pronouncements

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

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

Required Supplemental Information

City of Wyandotte, Michigan
Department of Municipal Services

Required Supplemental Information

Schedule of the Department's Proportionate Share of the Net Pension Liability
City of Wyandotte Employees' Retirement System
Last Fiscal Year
(Schedule is built prospectively upon implementation of GASB Statement No. 68)

	<u>2015</u>
Department's proportion of the net pension liability	20.1 %
Department's proportionate share of the net pension liability	\$ 6,562,394
Department's covered employee payroll	\$ 2,698,824
Department's proportionate share of the net pension liability as a percentage of its covered employee payroll	243.2 %
Plan fiduciary net position as a percentage of total pension liability	65.3 %

City of Wyandotte, Michigan

Department of Municipal Services

Required Supplemental Information Schedule of Department Contributions Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 856,067	\$ 796,272	\$ 888,456	\$ 773,346	\$ 626,722	\$ 649,458	\$ 499,359	\$ 757,000	\$ 808,000	\$ 657,000
Contributions in relation to the actuarially determined contribution	856,067	796,272	888,456	773,346	626,722	649,458	499,359	757,000	808,000	657,000
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2,698,824	\$ 2,816,681	\$ 3,649,775	\$ 3,593,488	\$ 3,801,227	\$ 4,303,522	\$ 4,539,471	\$ 4,912,000	\$ 5,993,000	\$ 5,398,000
Contributions as a percentage of covered employee payroll	31.7 %	28.3 %	24.3 %	21.5 %	16.5 %	15.1 %	11.0 %	15.4 %	13.5 %	12.2 %

Notes to Schedule of Department Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of September 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 Normal
Amortization method	Level dollar
Remaining amortization period	20 years, closed
Asset valuation method	Four-year smoothed market value
Inflation	2.5%
Salary increases	3.0% to 8.0%
Investment rate of return	7.00%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2014 Mortality Table projected seven years with scale MP-2014
Other information	None

City of Wyandotte, Michigan
Department of Municipal Services

Required Supplemental Information
OPEB System Schedule
Year Ended September 30, 2015

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)
9/30/13	\$ -	\$22,203,020	\$22,203,020	-
9/30/11	-	18,428,534	18,428,534	-
9/30/09	-	17,381,962	17,381,962	-
9/30/06	-	18,012,350	18,012,350	-

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
9/30/15	9/30/13	\$ 1,943,297	34.5
9/30/14	9/30/11	1,625,575	58.9
9/30/13	9/30/11	1,625,587	44.7
9/30/12	9/30/09	1,583,990	44.6
9/30/11	9/30/09	1,583,990	38.7
9/30/10	9/30/06	1,328,503	43.1

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of September 30, 2013, the latest actuarial valuation, follows:

Amortization method	Level dollar
Amortization period	26 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.5%
*Includes inflation at	3.5%