

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

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

# **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, 2016 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. 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.

### ***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, 2016 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.

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

***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, Michigan as of September 30, 2016, the changes in its financial position, and the changes in 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 4 to the basic financial statements, during the year ended September 30, 2016, the Department entered into an amended consent decree with the Environmental Protection Agency (EPA) which requires the permanent retirement of Boiler 8 at the Department's power plant. The retirement of Boiler 8 has resulted in an asset impairment, for which the related loss is reported as a special item on the statement of revenue, expenses, and changes in net position. Our opinion is not modified with respect to this matter.

***Other Matter***

*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 nor 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.

**Report on Summarized Comparative Information**

We have previously audited the Department's September 30, 2015 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Plante & Moran, PLLC*

February 14, 2017

# **City of Wyandotte, Michigan**

## **Department of Municipal Services**

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### **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, 2016. Please read it in conjunction with the Department's financial statements.

#### **Using this Annual Report**

The City of Wyandotte, Michigan Department of Municipal Services is a department created by the City of Wyandotte, Michigan (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 decreased compared to the prior year, decreasing by approximately 6.0 percent, while operating expenses decreased by approximately 10.6 percent. The decrease in operating revenue is attributable to the reduced sales prices of electricity pursuant to the Department's long-term power purchase agreements (PPAs) in the PJM interconnection region. The reduced sales prices correspond to the general overall lower market value of electrical generation in both the MISO and PJM interconnection regions. In addition, the expiration of a facility charge for steam delivery also contributed to decreased operating revenue when compared to the prior year. The decrease in operating expenses is attributable to the Department's current economic dispatch power supply model which takes advantage of the lower cost market electrical supply resulting in a higher percentage of the Department's power supply requirements being supplied by less costly market purchases.
- Accordingly, the Electric Fund's operating income increased to \$4,113,631 as compared to operating income of \$2,307,682 in the previous year. This validates the economic dispatch model adopted by the Department and costs associated with purchasing power to meet power supply requirements.
- The Department previously implemented GASB Statement No. 68 which requires the recognition of the unfunded pension benefit obligation as a liability and a more comprehensive measurement of the annual costs of pension benefits. The impact on operating income for the year ended September 30, 2016 was \$1,438,366.

# City of Wyandotte, Michigan

## Department of Municipal Services

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

- 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 115 percent for the year ended September 30, 2016).

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 \$320,960 for the year ended September 30, 2016 was added back to the computation of amounts available for debt. Refer to Note 10 for additional details regarding the 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 \$1,438,366 was added back to the computation of amounts available for debt. Refer to Note 8 for additional details regarding the net pension liability. Another financial covenant in the Department's bond ordinance requires actual expenditures of the Department to not exceed the budget. The Department's actual operating expenses did not exceed the budget.

- This year's financial statements report unrestricted net position of \$2,327,603 compared to (\$54,527) in the prior year. The increase compared to the prior year underscores the continued stabilization of operations and further validates the changes made to the power supply model by WMS Management.

### Water Fund

- The financial performance of the Water Fund remained relatively stable in the current year. Operating revenue increased by approximately 5.2 percent while operating expenses increased by approximately 5.1 percent compared to the prior year. The increase in Operating revenue is attributed to increased water usage in the warmer summer months as compared to the prior year. Operating income in the current year increased by \$24,892 and was \$475,302 at year end. 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. The rehabilitation of the water filter plant, which was completed during the fiscal year and is being paid for through a series of installment payments ending in fiscal year 2018, was partially funded during the current year through accumulated unrestricted net position.
- This year's financial statements report unrestricted net position of \$3,877,759 and reflect the previous implementation of GASB Statement No. 68 and recognition of the net pension liability.

# **City of Wyandotte, Michigan**

## **Department of Municipal Services**

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

- 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 continue to be met.

#### **Cable Television Fund**

- The Cable Television Fund's operating revenue decreased by approximately 1.1 percent compared to the prior year. Operating revenue continues to be impacted by an eroding subscriber base for cable television that has been partially offset by increasing internet and steady VoIP revenue streams.
- The Cable Television Fund realized an operating loss of \$540,992 in the current year as compared to operating income of \$303,479 in the prior year. Declining margins on cable television programming due to continued programming royalty increases are a major contributing factor to this decline and the Department has taken measures to mitigate programming royalty increases by implementing a time sensitive periodic adjustment for the pass through of these cost increases beginning in November 2016. Other factors that contributed to the decrease in operating income include increased depreciation due to recently completed capital projects, revisions to shared staffing allocations with the electric and water departments, and ongoing increases in retiree benefit obligations.
- The Cable Television Fund has generated sufficient working capital so that capital requirements have been met without financing through additional debt.
- This year's financial statements report unrestricted net position of \$1,794,270, which includes the prior implementation of GASB Statement No. 68 and required recognition of the net pension liability.

# 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	
	2016	2015	Amount	Percent
<b>Assets</b>				
Current assets	\$ 27,498,802	\$ 24,261,074	\$ 3,237,728	13.35
Restricted assets	12,611,988	13,569,039	(957,051)	(7.05)
Property, plant, and equipment	44,018,385	53,198,637	(9,180,252)	(17.26)
Long-term receivable	73,500	90,000	(16,500)	100.00
Total assets	84,202,675	91,118,750	(6,916,075)	(7.59)
<b>Deferred Outflows of Resources</b>	1,780,736	2,765,126	(984,390)	(35.60)
<b>Liabilities</b>				
Current liabilities	8,647,332	9,005,763	(358,431)	(3.98)
Liabilities payable from restricted assets	62,003	848,679	(786,676)	(92.69)
Long-term liabilities	48,554,821	47,945,770	609,051	1.27
Total liabilities	57,264,156	57,800,212	(536,056)	(0.93)
<b>Deferred Inflows of Resources</b>	-	41,001	(41,001)	100.00
<b>Net Position</b>				
Net investment in capital assets	19,105,439	27,893,968	(8,788,529)	(31.51)
Restricted	1,614,184	1,509,632	104,552	6.93
Unrestricted	7,999,632	6,639,063	1,360,569	20.49
Total net position	<u>\$ 28,719,255</u>	<u>\$ 36,042,663</u>	<u>\$ (7,323,408)</u>	(20.32)

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

	Year Ended September 30		Change	
	2016	2015	Amount	Percent
Total operating revenue	\$ 55,285,694	\$ 57,970,886	\$ (2,685,192)	(4.63)
Total operating expenses	51,237,753	54,791,288	(3,553,535)	(6.49)
<b>Operating Income</b>	4,047,941	3,179,598	868,343	27.31
Other nonoperating expense	(1,474,260)	(1,223,179)	(251,081)	(20.53)
Capital contributions	155,138	431,501	(276,363)	(64.05)
Special item - Impairment loss	(10,052,227)	-	(10,052,227)	n/a
<b>Change in Net Position</b>	<u>\$ (7,323,408)</u>	<u>\$ 2,387,920</u>	<u>\$ (9,711,328)</u>	(406.69)

# **City of Wyandotte, Michigan**

## **Department of Municipal Services**

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

#### **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 utilized proceeds from Series 2015 bonds for the purpose of paying the cost of design, acquisition, and construction of improvements to the City's electric utility system. The most significant capital improvements funded by the bonds during the fiscal year were made to the transmission and distribution system, primarily for interconnection redundancy and upgraded transformers. In addition, engineering and design costs were incurred for projects to be completed in future years including an enhanced metering (AMI) system and further improvements to local generation, transmission, and distribution.

The most significant capital improvement in the Water Fund was for the rehabilitation of the water filter plant, which was completed during the current year. Additional capital improvements in the Water Fund were made for ongoing water meter replacement and water service infrastructure.

The Cable Television Fund focused on continued infrastructure improvements centered on increased internet speeds currently and positioning further increases in the future so that customers of the system will have access to the highest speeds demanded.

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

#### **Economic Factors and Next Year's Operations**

The Electric Fund will continue utilizing an economic dispatch approach for managing power supply to meet requirements and work further to insure that the utilization of natural gas is as efficient as possible when considering potential new alternatives to electric generation in the City. Pursuant to optimizing electric costs, the Electric Fund will cease to provide steam service to its largest customer during fiscal year 2017.

The Water Fund and Cable Television Fund continue to meet recommended working capital and infrastructure needs through operating activity. The Cable Television Fund continues to be impacted by the escalating costs for programming and, as a solution, a mechanism has been established by the Department to address programming cost increases through a periodic programming royalty adjustment pass through of those increases.

#### **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, 2016 (with comparative totals for September 30, 2015)

	September 30, 2016				September 30,
	Electric Fund	Water Fund	Cable Television		2015
			Fund	Total	Total
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 7,497,252	\$ 6,216,681	\$ 3,515,120	\$ 17,229,053	\$ 13,025,159
Receivables:					
Billed (Note 3)	3,999,987	481,684	918,576	5,400,247	6,330,052
Unbilled customer billings	3,100,346	201,704	-	3,302,050	3,145,080
Due from other governmental units	26,180	-	-	26,180	77,186
Due from other funds (Note 5)	167,670	-	2,925	170,595	119,096
Fuel, materials, supplies, and other inventories	694,235	121,164	40,552	855,951	1,036,646
Prepaid expenses and other assets	423,493	43,477	47,756	514,726	527,855
Total current assets	15,909,163	7,064,710	4,524,929	27,498,802	24,261,074
Noncurrent assets:					
Restricted assets (Note 7)	12,611,988	-	-	12,611,988	13,569,039
Property, plant, and equipment (Note 4):					
Assets not subject to depreciation	768,940	425	1,275	770,640	7,946,035
Assets subject to depreciation	28,682,399	11,128,986	3,436,360	43,247,745	45,252,602
Long-term receivable	73,500	-	-	73,500	90,000
Total noncurrent assets	42,136,827	11,129,411	3,437,635	56,703,873	66,857,676
Total assets	58,045,990	18,194,121	7,962,564	84,202,675	91,118,750
<b>Deferred Outflows of Resources</b>					
Bond refunding loss being amortized	983,047	-	-	983,047	1,016,945
Deferred outflows related to pensions (Note 8)	554,296	129,036	114,357	797,689	1,748,181
Total deferred outflows of resources	1,537,343	129,036	114,357	1,780,736	2,765,126
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	1,250,955	108,008	523,853	1,882,816	2,644,930
Due to City of Wyandotte, Michigan (Note 11)	25,966	677,034	-	703,000	629,711
Due to other funds (Note 5)	-	80,990	89,605	170,595	119,096
Accrued liabilities and other	1,974,041	247,881	185,386	2,407,308	2,432,040
Unearned revenue	-	-	24,632	24,632	36,968
Customer deposits and other current liabilities	1,167,508	1,044,321	55,624	2,267,453	2,215,559
Current portion of long-term debt (Note 6)	1,191,528	-	-	1,191,528	927,459
Total current liabilities	5,609,998	2,158,234	879,100	8,647,332	9,005,763

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

**Statement of Net Position (Continued)**  
**September 30, 2016**  
**(with comparative totals for September 30, 2015)**

	September 30, 2016				September 30,
	Electric Fund	Water Fund	Cable Television		2015
			Fund	Total	Total
<b>Liabilities (Continued)</b>					
Noncurrent liabilities:					
Liabilities to be paid from restricted assets	62,003	-	-	62,003	848,679
Net pension obligation (Note 8)	5,068,891	1,180,000	1,045,765	7,294,656	6,562,394
Net OPEB obligation (Note 10)	4,796,981	1,022,074	957,675	6,776,730	5,887,051
Other noncurrent liabilities	59,082	1,042,381	29,510	1,130,973	916,724
Long-term debt (Note 6)	33,352,462	-	-	33,352,462	34,579,601
Total noncurrent liabilities	43,339,419	3,244,455	2,032,950	48,616,824	48,794,449
Total liabilities	48,949,417	5,402,689	2,912,050	57,264,156	57,800,212
<b>Deferred Inflows of Resources -</b>					
Deferred inflows related to pension (Note 8)	-	-	-	-	41,001
<b>Equity - Net position</b>					
Net investment in capital assets	6,692,129	9,042,709	3,370,601	19,105,439	27,893,968
Restricted	1,614,184	-	-	1,614,184	1,509,632
Unrestricted	2,327,603	3,877,759	1,794,270	7,999,632	6,639,063
Total net position	<b>\$ 10,633,916</b>	<b>\$ 12,920,468</b>	<b>\$ 5,164,871</b>	<b>\$ 28,719,255</b>	<b>\$ 36,042,663</b>

# City of Wyandotte, Michigan

## Department of Municipal Services

### Statement of Revenue, Expenses, and Changes in Net Position Year Ended September 30, 2016 (with comparative totals for year ended September 30, 2015)

	September 30, 2016				September 30,
	Electric Fund	Water Fund	Cable Television		2015
			Fund	Total	Total
<b>Operating Revenue</b>	\$ 41,703,104	\$ 4,072,517	\$ 9,510,073	\$ 55,285,694	\$ 57,970,886
<b>Operating Expenses</b>					
Production, pumping, and purification	26,660,353	663,791	-	27,324,144	31,095,022
Distribution	1,614,291	880,998	1,136,813	3,632,102	3,644,344
Cable television royalties and retransmission fees	-	-	5,042,836	5,042,836	4,857,792
Customer services	281,371	170,289	17,635	469,295	470,511
Office and administrative	2,683,198	671,282	541,962	3,896,442	3,709,804
General fringes and other	2,937,141	519,881	2,325,924	5,782,946	4,716,965
Transportation	70,081	32,843	40,243	143,167	91,652
Depreciation	3,343,038	658,131	945,652	4,946,821	6,205,198
Total operating expenses	37,589,473	3,597,215	10,051,065	51,237,753	54,791,288
<b>Operating Income (Loss)</b>	4,113,631	475,302	(540,992)	4,047,941	3,179,598
<b>Nonoperating Revenue (Expense)</b>					
Grant revenue	257,682	-	-	257,682	1,172,598
Grant expenses	(428,524)	-	-	(428,524)	(1,510,396)
Amortization related to long-term debt	24,311	-	-	24,311	(555,014)
Interest expense	(1,613,658)	-	-	(1,613,658)	(1,072,234)
Investment and other income	200,765	526	84,638	285,929	741,867
Total nonoperating (expense) revenue	(1,559,424)	526	84,638	(1,474,260)	(1,223,179)
<b>Income (Loss) - Before capital contributions and special item</b>	2,554,207	475,828	(456,354)	2,573,681	1,956,419
<b>Capital Contributions</b>	155,138	-	-	155,138	431,501
<b>Special Item - Impairment loss (Note 4)</b>	(10,052,227)	-	-	(10,052,227)	-
<b>Change in Net Position</b>	(7,342,882)	475,828	(456,354)	(7,323,408)	2,387,920
<b>Net Position - Beginning of year</b>	17,976,798	12,444,640	5,621,225	36,042,663	33,654,743
<b>Net Position - End of year</b>	<b>\$ 10,633,916</b>	<b>\$ 12,920,468</b>	<b>\$ 5,164,871</b>	<b>\$ 28,719,255</b>	<b>\$ 36,042,663</b>

# City of Wyandotte, Michigan

## Department of Municipal Services

### Statement of Cash Flows

#### Year Ended September 30, 2016

(with comparative totals for year ended September 30, 2015)

	September 30, 2016				September 30, 2015
	Electric Fund	Water Fund	Cable Television Fund	Total	Total
<b>Cash Flows from Operating Activities</b>					
Cash received from customers	\$ 42,470,788	\$ 4,037,545	\$ 9,601,202	\$ 56,109,535	\$ 56,872,329
Cash payments to suppliers for goods and services	(27,741,682)	(1,367,273)	(7,404,330)	(36,513,285)	(35,677,457)
Cash payments to employees for services	(6,317,934)	(1,621,136)	(1,575,873)	(9,514,943)	(9,892,215)
Net cash provided by operating activities	8,411,172	1,049,136	620,999	10,081,307	11,302,657
<b>Cash Flows from Noncapital Financing Activities</b>					
Interfund borrowing and repayments - Net	(49,267)	7,264	42,003	-	-
Receipts paid (to) from City of Wyandotte, Michigan	(16,621)	100,772	-	84,151	(371,773)
Net cash (used in) provided by noncapital financing activities	(65,888)	108,036	42,003	84,151	(371,773)
<b>Cash Flows from Capital and Related Financing Activities</b>					
Proceeds from debt issuance	-	-	-	-	35,803,343
Grant revenue	257,682	-	-	257,682	860,132
Grant expenses	(428,524)	-	-	(428,524)	(1,197,930)
Proceeds from sales of capital assets	-	-	-	-	254,654
Principal and interest paid on capital debt	(1,674,668)	-	-	(1,674,668)	(9,514,981)
Payments to escrow agent	-	-	-	-	(22,689,290)
Purchase of capital assets	(2,731,048)	(1,672,443)	(955,563)	(5,359,054)	(9,318,689)
Net cash used in capital and related financing activities	(4,576,558)	(1,672,443)	(955,563)	(7,204,564)	(5,802,761)
<b>Cash Flows from Investment Activities - Interest received on investments and other income</b>	200,765	526	84,638	285,929	741,867
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	3,969,491	(514,725)	(207,923)	3,246,843	5,869,990
<b>Cash and Cash Equivalents - Beginning of year</b>	16,139,749	6,731,406	3,723,043	26,594,198	20,724,208
<b>Cash and Cash Equivalents - End of year</b>	<b>\$20,109,240</b>	<b>\$ 6,216,681</b>	<b>\$3,515,120</b>	<b>\$29,841,041</b>	<b>\$26,594,198</b>
<b>Reconciliation to Statement of Net Position</b>					
Cash and investments	\$ 7,497,252	\$ 6,216,681	\$ 3,515,120	\$ 17,229,053	\$ 13,025,159
Restricted assets	12,611,988	-	-	12,611,988	13,569,039
Total	<b>\$20,109,240</b>	<b>\$ 6,216,681</b>	<b>\$3,515,120</b>	<b>\$29,841,041</b>	<b>\$26,594,198</b>

**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, 2016				September 30,
	Electric Fund	Water Fund	Cable Television		2015
			Fund	Total	Total
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>					
Operating income (loss)	\$ 4,113,631	\$ 475,302	\$ (540,992)	\$ 4,047,941	\$ 3,179,598
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	3,343,038	658,131	945,652	4,946,821	6,205,198
Bad debt expense (recoveries)	100,969	(3,522)	122,403	219,850	117,053
Changes in assets and liabilities:					
Receivables	666,715	(31,450)	(31,274)	603,991	(1,281,101)
Inventory	40,989	(21,154)	160,860	180,695	13,355
Prepaid insurance and other current assets	73,182	(2,083)	(7,572)	63,527	(318,890)
Accounts payable	(844,977)	(354,113)	(360,562)	(1,559,652)	(156,387)
Accrued and other liabilities	(820,052)	(318,294)	357,455	(780,891)	1,250,255
Unearned revenue	-	-	(12,336)	(12,336)	(144,055)
Customer deposits and other current liabilities	1,737,677	646,319	(12,635)	2,371,361	2,437,631
Net cash provided by operating activities	<u>\$ 8,411,172</u>	<u>\$ 1,049,136</u>	<u>\$ 620,999</u>	<u>\$ 10,081,307</u>	<u>\$ 11,119,139</u>
<b>Noncash Items</b>					
Capital contributions	\$ 155,138	\$ -	\$ -	\$ 155,138	\$ 431,501
Capital acquisitions	-	304,604	-	304,604	-
Asset impairment (Note 4)	(10,052,227)	-	-	(10,052,227)	-

# **City of Wyandotte, Michigan**

## **Department of Municipal Services**

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### **Notes to Financial Statements**

#### **September 30, 2016**

#### **Note I - 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, 2016 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

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### Notes to Financial Statements September 30, 2016

#### **Note I - 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 and short-term investments with a maturity of three months or less when acquired. Short-term investments are reported at fair value.

**Inventories and Prepaid Items** - Inventories are valued at lower of cost or market, determined by the average cost method for general 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 7 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 25, 8, and 4 percent, respectively, of the electric department's operating revenue for the year ended September 30, 2016.

The water department has three significant customers: BASF Corporation, The Department of Municipal Services' Electric Department, and Wayne County Sewage/Pumping Station, representing approximately 22, 7, and 4 percent, respectively, of the water department's operating revenue for the year ended September 30, 2016.

**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, 2016**

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

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

<u>Capital Asset Class</u>	<u>Lives (Years)</u>
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

**Impaired Assets** - Assets deemed to be permanently impaired are reported at the lower of fair value or carrying value. The Department had a significant asset become impaired during the current year (see Note 4).

**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 current and prior years, the Department acquired capital assets through arrangements in which the payment terms were spread through fiscal year 2019. The liabilities total approximately \$2.24 million with \$1.11 million due in fiscal year 2017.

# **City of Wyandotte, Michigan**

## **Department of Municipal Services**

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### **Notes to Financial Statements**

#### **September 30, 2016**

#### **Note I - Summary of Significant Accounting Policies (Continued)**

##### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) 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 differences between expected and actual experience.

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

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### Notes to Financial Statements September 30, 2016

#### **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.

**Change in Accounting** - During the year, the Department adopted GASB Statement No. 72, *Fair Value Measurement and Application*. As a result, the notes to the financial statements now include enhanced disclosures about fair value, the level of fair value hierarchy, and valuation techniques.

# **City of Wyandotte, Michigan**

## **Department of Municipal Services**

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### **Notes to Financial Statements**

#### **September 30, 2016**

#### **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 - 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 three 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, commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase, 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, 2016**

**Note 2 - 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 savings accounts which approximate \$21,720,000 at September 30, 2016. 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, Michigan (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.

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

Investment	Fair Value	Weighted Average Maturity (Years)
<b>Primary Government</b>		
Commercial Paper	\$ 6,965,512	0.50

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

Investment	Fair Value	Rating	Rating Organization
<b>Primary Government</b>			
Commercial Paper	\$ 6,965,512	P-1	Moody's

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

**Notes to Financial Statements**  
**September 30, 2016**

**Note 2 - Deposits and Investments (Continued)**

**Concentration of Credit Risk** - The Department places no limit on the amount it may invest in any one issuer. 100 percent of the Department's investments are in JPMorgan commercial paper; these investments represent 24 percent of the Department's cash and investments combined. The underlying securities are commercial paper issues of various entities of the highest rating required by the bond ordinance.

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

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

The Department's recurring fair value measurement as of September 30, 2016, relates to the commercial paper of \$6,965,511 and is valued using a matrix pricing model (Level 2 inputs).

**Note 3 - Billed and Unbilled Accounts Receivable**

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

	2016			2015
	Electric	Water	Cable	Total
Accounts receivable	\$ 4,100,115	\$ 482,684	\$ 1,004,797	\$ 5,587,596
Less allowance for uncollectibles	(100,128)	(1,000)	(86,221)	(187,349)
Net receivables	<u>\$ 3,999,987</u>	<u>\$ 481,684</u>	<u>\$ 918,576</u>	<u>\$ 5,400,247</u>
				<u>\$ 6,330,052</u>

Unbilled accounts receivable from customers represent services that have been provided to customers through September 30, 2016 for which billings were processed subsequent to year end.

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

**Notes to Financial Statements**  
**September 30, 2016**

**Note 4 - Capital Assets**

	Balance September 30, 2015	Reclassifications	Additions	Disposals and Adjustments	Balance September 30, 2016
Capital assets not being depreciated - Construction in progress	\$ 7,946,035	\$ (7,669,062)	\$ 493,667	\$ -	\$ 770,640
Capital assets being depreciated:					
Utility plant	113,262,240	816,481	125,289	(10,052,227)	104,151,783
Transmission	5,911,181	-	-	-	5,911,181
Pumping	3,306,781	2,482,000	1,373,886	-	7,162,667
Purification	3,917,683	-	27,190	-	3,944,873
Distribution	56,194,258	4,351,143	2,433,919	-	62,979,320
Transportation	2,670,780	-	467,570	-	3,138,350
Stores	963,421	19,438	146,358	-	1,129,217
Cable equipment	3,171,166	-	658,244	-	3,829,410
Studio	576,038	-	13,015	-	589,053
General	3,766,958	-	79,658	-	3,846,616
Total capital assets being depreciated	193,740,506	7,669,062	5,325,129	(10,052,227)	196,682,470
Accumulated depreciation:					
Utility plant	89,128,847	-	1,660,767	-	90,789,614
Transmission	5,542,753	-	90,603	-	5,633,356
Pumping	2,352,992	-	158,905	-	2,511,897
Purification	3,660,285	-	28,564	-	3,688,849
Distribution	39,012,240	-	2,210,716	-	41,222,956
Transportation	2,186,789	-	285,175	-	2,471,964
Stores	878,740	-	16,406	-	895,146
Cable equipment	2,007,489	-	304,571	-	2,312,060
Studio	539,133	-	14,005	-	553,138
General	3,178,636	-	177,109	-	3,355,745
Total accumulated depreciation	148,487,904	-	4,946,821	-	153,434,725
Net capital assets being depreciated	45,252,602	7,669,062	378,308	(10,052,227)	43,247,745
Net capital assets	\$ 53,198,637	\$ -	\$ 871,975	\$ (10,052,227)	\$ 44,018,385

Depreciation expense was \$3,343,038 and \$4,752,616 for the Electric Fund, \$658,131 and \$552,034 for the Water Fund, and \$945,652 and \$900,548 for the Cable Television Fund, and has been included in operating expenses of the appropriate fund for the years ended September 30, 2016 and 2015, respectively.

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

**Notes to Financial Statements**  
**September 30, 2016**

**Note 4 - Capital Assets (Continued)**

**Special Item** - During 2016, the Department and the Environmental Protection Agency (EPA) entered into an amended consent decree. Under the terms and conditions of that agreement, the Department was required to permanently retire Boiler 8 at the Electric Fund's power plant. Boiler 8 had an original cost of \$42,380,899 and accumulated depreciation of \$32,328,672 at the time of impairment. The impairment loss of \$10,052,227 was reported as a special item on the statement of revenue, expenses and changes in net position. Utility plan assets reported within the Electric Fund include idle and impaired assets totaling \$32,328,672 that are fully depreciated, resulting in zero net book value.

**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, 2016 are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Bishop Park lighting	\$ 310,028	\$ 255
Micro wind turbines	398,707	68,000
Advanced metering infrastructure (AMI)	-	3,085,220
11th Street substation fencing	<u>41,080</u>	<u>41,080</u>
Total	<u>\$ 749,815</u>	<u>\$ 3,194,555</u>

**Note 5 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Due to/from Other Funds</b>		
Electric Fund	Water Fund	\$ 78,065
	Cable Television Fund	<u>89,605</u>
	Total Electric Fund	167,670
Cable Television Fund	Water Fund	<u>2,925</u>
	Total	<u>\$ 170,595</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, 2016**

**Note 6 - Long-term Debt**

**Outstanding Debt**

Long-term debt outstanding, excluding unamortized premiums, is as follows:

	2016		2015
	Interest Rate Ranges	Electric Fund/ Total	Total
2008 installment purchase agreement	4.53 %	\$ 656,664	\$ 917,576
2010 installment purchase agreement	4.35	1,586,050	2,045,250
2012 installment purchase agreement	3.20	-	90,522
2014 installment purchase agreement	2.00	618,544	735,369
2015A Revenue Refunding Bonds	3.50-5.00	21,810,000	21,810,000
2015B Revenue Refunding Bonds	4.92	8,840,000	8,840,000
Less current portion		<u>(1,191,528)</u>	<u>(927,459)</u>
Total long-term debt - Net of current portion		<u>\$ 32,319,730</u>	<u>\$ 34,579,601</u>

**Changes in Long-term Debt**

The following is a summary of long-term debt transactions, including amortization of premiums, of the Department for the year ended September 30, 2016:

	Long-term Debt - September 30, 2015			Long-term Debt - September 30, 2016		Due Within One Year
		Premiums	Debt Retired			
2008 Electric Installment Purchase Agreement	\$ 917,576	\$ -	\$ (260,912)	\$ 656,664	\$ (272,972)	
2010 Electric Installment Purchase Agreement	2,045,250	-	(459,200)	1,586,050	(494,494)	
2012 Electric Installment Purchase Agreement	90,522	-	(90,522)	-	-	
2014 Electric Installment Purchase Agreement	735,369	-	(116,825)	618,544	(119,062)	
2015 Series A Electric System Revenue and Revenue Refunding Bonds	22,878,343	(35,611)	-	22,842,732	(305,000)	
2015 Series B Electric System Revenue and Revenue Refunding Bonds	8,840,000	-	-	8,840,000	-	
Total long-term debt	<u>\$ 35,507,060</u>	<u>\$ (35,611)</u>	<u>\$ (927,459)</u>	<u>\$ 34,543,990</u>	<u>\$ (1,191,528)</u>	

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

**Notes to Financial Statements**  
**September 30, 2016**

**Note 6 - Long-term Debt (Continued)**

**Debt Service Requirements** - The annual total principal and interest requirements to service all debt outstanding as of September 30, 2016, excluding unamortized premiums on bonds payable, are as follows:

Years Ending September 30	Principal	Interest	Total
2017	\$ 1,191,528	\$ 1,574,287	\$ 2,765,815
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	1,898,446	1,226,673	3,125,119
2022-2026	9,650,000	4,710,523	14,360,523
2027-2031	4,695,000	2,939,220	7,634,220
2031-2035	3,270,000	2,188,000	5,458,000
2036-2040	3,525,000	1,339,375	4,864,375
2041-2045	3,525,000	363,625	3,888,625
<b>Total</b>	<b>\$ 33,511,258</b>	<b>\$ 18,608,466</b>	<b>\$ 52,119,724</b>

**Interest** - For the years ended September 30, 2016 and 2015, total interest costs of \$1,613,658 and \$1,072,234, respectively, were incurred in the Electric Fund.

**Defeased Debt** - In 2015, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At September 30, 2016, \$11,025,000 of bonds outstanding are considered defeased.

**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, as defined, of the system was \$9,299,350. Fiscal year 2017 debt service requirements total \$1,774,341. The City of Wyandotte, Michigan has no liability for these bonds if the net revenue pledged should prove insufficient.

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

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

**Notes to Financial Statements**  
**September 30, 2016**

**Note 6 - Long-term Debt (Continued)**

- 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

**Note 7 - Restricted Net Position**

Restricted assets consist of the following:

	<u>2016</u>	<u>2015</u>
	Electric Fund/Total	Total
Restricted working capital - MPPA	\$ 1,230,080	\$ 1,120,100
Unspent bond proceeds	10,997,804	12,059,407
Restricted grant reserves	<u>384,104</u>	<u>389,532</u>
Total restricted assets	12,611,988	13,569,039
Less unspent bond proceeds	<u>(10,997,804)</u>	<u>(12,059,407)</u>
Total restricted net position	<u>\$ 1,614,184</u>	<u>\$ 1,509,632</u>

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, 2016, there was \$62,003 of liabilities to be paid from these restricted bond proceeds.

The assets restricted for grant reserves represent the balances outstanding as of September 30, 2016 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

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### Notes to Financial Statements September 30, 2016

#### Note 8 - 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, Michigan 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, 2016 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 nonexempt, exempt, and hourly members, respectively. FAC is calculated as the highest three consecutive years out of the last 10 years.

Plan members with 30 years (25 years for the Department's 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. Salaried (exempt and nonexempt) plan members with 25 years of service, or age 55 with 10 years of service, are eligible for early retirement. All plan members at age 25 with 10 years of service are vested. All plan members are eligible for non-duty 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, 2016 was 40.50 percent of annual payroll. Contributions to the plan from the Department were \$888,524 for the year ended September 30, 2016. Department employees are not required to contribute.

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

**Notes to Financial Statements**  
**September 30, 2016**

**Note 8 - Cost-sharing Defined Benefit Pension Plan (Continued)**

**Net Pension Liability, Deferrals, and Pension Expense**

At September 30, 2016, the Department reported a liability of \$7,294,656 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015, which used update procedures to roll forward the estimated liability to September 30, 2016. The Department's proportion of the net pension liability was based on the Department's actuarially required contribution for the year ended September 30, 2016, relative to all other contributing employers. At September 30, 2016, the Department's proportion was 23.0 percent, which was an increase of 3.0 percent from its proportion measured as of September 30, 2015.

For the year ended September 30, 2016, the Department recognized pension expense of \$1,803,487. At September 30, 2016, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,213	\$ -
Net difference between projected and actual earnings on pension plan investments	<u>795,476</u>	<u>-</u>
Total	<u>\$ 797,689</u>	<u>\$ -</u>

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

<u>Years Ending September 30</u>	<u>Amount</u>
2017	\$ 279,973
2018	277,761
2019	277,761
2020	(37,806)

# City of Wyandotte, Michigan

## Department of Municipal Services

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### Notes to Financial Statements September 30, 2016

#### Note 8 - Cost-sharing Defined Benefit Pension Plan (Continued)

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

Inflation	2.75%	
Salary increases	4.4% to 8.1%	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. 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. The target allocation and best estimates of arithmetic real rates of return as of September 30, 2016 for each major asset class are summarized in the following table.

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

**Notes to Financial Statements**  
**September 30, 2016**

**Note 8 - Cost-sharing Defined Benefit Pension Plan (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic fixed income	33 %	2.59 %
International fixed income	7	3.09
Domestic equity	33	6.27
International equity	13	8.61
Hedged strategies	12	3.47
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:

	<u>1 Percent Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1 Percent Increase (8.0%)</u>
Net pension liability	\$ 9,479,215	\$ 7,294,656	\$ 5,432,315

**Pension Plan Fiduciary Net Position** - Detailed information about the plan's fiduciary net position is available in a separately issued financial report available in the City of Wyandotte, Michigan's September 30, 2016 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.

# **City of Wyandotte, Michigan**

## **Department of Municipal Services**

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### **Notes to Financial Statements**

#### **September 30, 2016**

#### **Note 9 - 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, 2016, there are 58 employees participating in the defined contribution plan.

The Department's total payroll was approximately \$3,121,000 and \$3,140,000 for the years ended September 30, 2016 and 2015, respectively. Employer and employee contributions were calculated based on covered payroll in the same amount, resulting in an employer contribution of approximately \$303,000 and \$289,000 and employee contributions of approximately \$151,000 and \$144,000 for the years ended September 30, 2016 and 2015, respectively.

#### **Note 10 - 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.

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

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

**Notes to Financial Statements**  
**September 30, 2016**

**Note 10 - Other Postemployment Benefits (Continued)**

**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 \$646,000, \$138,000, and \$129,000, respectively, during the year ended September 30, 2016 and \$509,000, \$75,000, and \$85,000 in the Electric, Water, and Cable Television Funds, respectively, during the year ended September 30, 2015.

**Funding Progress** - For the year ended September 30, 2016, 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)	\$ 1,943,281
Interest on the prior year's net OPEB obligation	264,917
Less adjustment to the annual required contribution	<u>(406,129)</u>
Annual OPEB cost	1,802,069
Amounts contributed - Payments of current premiums	<u>(912,390)</u>
Increase in net OPEB obligation	889,679
OPEB obligation - Beginning of year	<u>5,887,051</u>
OPEB obligation - End of year	<u>\$ 6,776,730</u>

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

	Actuarial Valuation as of		
	September 30		
	<u>2013</u>	<u>2011</u>	<u>2009</u>
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	- %	- %	- %

# City of Wyandotte, Michigan

## Department of Municipal Services

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### Notes to Financial Statements September 30, 2016

#### **Note 10 - Other Postemployment Benefits (Continued)**

**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.

**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 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 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.

# City of Wyandotte, Michigan

## Department of Municipal Services

### Notes to Financial Statements September 30, 2016

#### Note 11 - Related Party Transactions (Continued)

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, 2016 and 2015.

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, 2016 and 2015 is as follows:

	2016	2015
Department revenue:		
Electric and water services	\$ 870,869	\$ 792,299
Street and public safety lighting	652,048	634,521
Collection fee	68,132	66,564
City of Wyandotte TIFA contribution	113,450	-
Department expenses:		
In lieu of property taxes	(652,048)	(634,521)
Cable television franchise fees	(469,565)	(479,924)
Water franchise fee	(175,000)	(200,000)
City services	(843,683)	(820,347)
Building rent	(180,000)	(30,000)
Remittances to City for sewage use charge collections	(3,591,788)	(3,818,797)
Payable to City of Wyandotte - Building Rental Fund	-	(30,000)
Payable to City of Wyandotte - Sewage Disposal Fund	(677,034)	(573,261)
Payable to City of Wyandotte - Solid Waste Disposal Fund	(25,966)	(24,588)
Payable to City of Wyandotte - General Fund	-	(1,862)
Receivable from City of Wyandotte - General Fund	-	30,100

#### 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.

# City of Wyandotte, Michigan

## Department of Municipal Services

### Notes to Financial Statements September 30, 2016

#### Note 12 - Risk Management (Continued)

**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, 2014	\$ 186,229
Estimated claims incurred - Net of changes in estimate	85,704
Claim payments	<u>(119,402)</u>
Estimated liability - September 30, 2015	152,531
Estimated claims incurred - Net of changes in estimate	91,215
Claim payments	<u>(101,618)</u>
Estimated liability - September 30, 2016	<u>\$ 142,128</u>

#### Note 13 - Contingent Liabilities

The Department received a notice of violation several years ago from the U.S. Environmental Protection Agency (EPA) related to the electric power plant operations and entered into a consent decree in 2011 with the EPA to resolve these issues. Under the terms and conditions of the original consent decree, the Department upgraded or installed environmental controls for compliance, paid a required penalty of \$112,000, and instituted a supplemental improvement plan of \$220,000 for the purchase of natural gas vehicles. Another requirement of this consent decree was the evaluation of coal containment/separation and flue gas emission reductions requiring new controls and equipment. The economic feasibility study concluded that the required changes would cost an upwards of \$10 million dollars; therefore, the Department, in an effort to manage costs more effectively and to maintain environmental compliance, withdrew its use of coal and moved to natural gas.

# **City of Wyandotte, Michigan**

## **Department of Municipal Services**

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### **Notes to Financial Statements**

#### **September 30, 2016**

#### **Note 13 - Contingent Liabilities (Continued)**

During the year ended September 30, 2014, the Department identified certain issues of noncompliance with the 2011 consent decree and proactively reported them to the EPA. During 2016, the Department and the EPA entered into an amended consent decree. Under the terms and conditions of the negotiated amended consent decree, the Department would pay a stipulated penalty of \$425,000, no longer would have coal as a fuel option, thereby removing it from the renewable operating permit, and permanently shuttering Boiler 8, a fluidized bed boiler capable of burning coal and tire derived fuel. As discussed in Note 4, the Department has reported an impairment loss related to the permanent retirement of the coal burning boiler. At September 30, 2016, all liabilities have been satisfied and are currently in compliance with terms and conditions of the amended consent decree.

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 - Upcoming Accounting Pronouncement**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Department to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the OPEB plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Department is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Department's financial statements for the year ending September 30, 2018.

## **Required Supplemental Information**

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**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 Two Fiscal Years**  
**(schedule is built prospectively upon implementation of**  
**GASB Statement No. 68)**

	<u>2016</u>	<u>2015</u>
Department's proportion of the net pension liability	23.0 %	20.1 %
Department's proportionate share of the net pension liability	\$ 7,294,656	\$ 6,562,394
Department's covered employee payroll	\$ 2,016,799	\$ 2,698,824
Department's proportionate share of the net pension liability as a percentage of its covered employee payroll	361.7 %	243.2 %
Plan fiduciary net position as a percentage of total pension liability	66.4 %	65.3 %

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

**Required Supplemental Information**  
**Schedule of Department Contributions**  
**Last Ten Fiscal Years**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 888,524	\$ 856,067	\$ 796,272	\$ 888,456	\$ 773,346	\$ 626,722	\$ 649,458	\$ 499,359	\$ 757,000	\$ 808,000
Contributions in relation to the actuarially determined contribution	888,524	856,067	796,272	888,456	773,346	626,722	649,458	499,359	757,000	808,000
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2,016,799	\$ 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
Contributions as a percentage of covered employee payroll	44.1 %	31.7 %	28.3 %	24.3 %	21.5 %	16.5 %	15.1 %	11.0 %	15.4 %	13.5 %

**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 2.75 percent

Salary increases 3.0 to 8.1 percent

Investment rate of return 7.0 percent

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 Early Retirement Incentive Program (ERIP): UAL associated with the ERIP amortized by level dollar contributions year, five years starting with the contribution for the fiscal year beginning October 1, 2016

**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
9/30/16	9/30/13	\$ 1,943,281	47.0
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

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%