

PUBLIC ACT 51, SECTION 18j, MCL 247.668j
Annual Certification of Employee-related Conditions

CITY OR VILLAGE NAME City of Sandusky

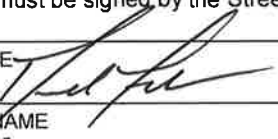

Beginning September 30, 2014, and annually each September 30 thereafter, certification must be made for compliance to Section 18j of Public Act 51 of 1951, MCL 248.668j. A local road agency must certify that it has (a) developed an employee compensation plan for its transportation employees as described OR (b) the local road agency must certify that medical benefits are offered to its transportation employees or elected public officials in compliance with the publicly funded health insurance contribution act, 2011 PA 152, MCL 15.561 to 15.569, or, that it does not offer medical benefits to its transportation employees or elected public officials.

Compliance with (a)
I certify compliance with MCL 247.668j (a).
Our compensation plan for transportation employees meets the minimum criteria of MCL 247.668j (a)(i - iv).

Compliance with (b)
I certify compliance with MCL 247.668j (b), and as such, offer one of the following;
I certify that medical benefits are offered to the transportation employees or elected public officials.
Or, I certify that medical benefits are not offered to the transportation employees or elected public officials.

Non-compliance with (a) or (b)
I certify that we are not in compliance with MCL 247.668j.
I understand that failure to comply with certification of (a) or (b) of MCL 247.668j may result in the withholding of all or part of the distributions made to this local road agency from the Michigan Transportation Fund.

This form must be signed by the Street Administrator and the Treasurer or Financial Director.

SIGNATURE 		SIGNATURE 	
PRINTED NAME David Faber		PRINTED NAME Penny Tubbs	
TITLE Street Administrator/ City Manager	DATE 9/23/14	TITLE Treasurer	DATE 9/25/14

Due Each September 30

Return the completed form to:

Michigan Department of Transportation, Financial Operations Division, P.O. Box 30050, Lansing, MI 48909

City of Sandusky
Notes to Financial Statements
February 28, 2014

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending February 28,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 37,085	\$ 10,592	\$ 172,000	\$ 273,513
2016	38,487	9,190	184,000	266,373
2017	39,936	7,741	197,000	250,804
2018	41,452	6,225	198,000	250,758
2019	44,677	4,657	179,000	242,910
2020-2024	75,836	6,013	823,000	1,105,685
2025-2029	-	-	758,000	950,353
2030-2034	-	-	919,000	793,748
2035-2039	-	-	1,137,000	582,503
2040-2044	-	-	1,404,000	315,948
2045-2049	-	-	657,000	37,422
	<u>\$ 277,473</u>	<u>\$ 44,418</u>	<u>\$ 6,628,000</u>	<u>\$ 5,070,017</u>

NOTE 8 - RISK MANAGEMENT

The government is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined together with other municipalities to form the Michigan Municipal Risk Management Authority (MMRMA), a public entity risk pool currently operating as a common risk management and insurance program which charges an annual premium to its members for insurance coverage. The pool is self-sustaining through member premiums and provides reinsurance through commercial companies for claims in excess of \$3 million for each insured event. The MMRMA provides general liability, casualty and fleet coverage to the City.

The City is also a member of the Michigan Municipal League (MML). The City contracts with Meadowbrook Insurance through the MML for its worker's compensation and airport insurance coverage. The City continues to carry commercial insurance for employee health coverage through Cops Trust.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The City of Sandusky maintains two defined benefit plans. Two former employees still receive benefits from plans administered by Midwest Pension Actuaries (MPA). The MERS administers all current eligible employees and all retired employees not administered by Midwest Pension Actuaries, Inc. As such, the City's financial statements reflect the activity of the pension fund as administered by Midwest Pension Actuaries, Inc. The following is a summary of both defined benefit pension plans.

Plan as administered by Midwest Pension Actuaries, Inc.

The cost and market value of the pension fund investments administered by MPA at February 28, 2014 are as follows:

	Cost	Market
DWS Investments	\$ 54,853	\$ 54,853
American Life Annuity	<u>10,226</u>	<u>10,226</u>
Total	<u>\$ 65,079</u>	<u>\$ 65,079</u>

Plan as administered by Michigan Municipal Employees' Retirement System

Plan description - The government participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the government. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report

City of Sandusky
Notes to Financial Statements
February 28, 2014

Three year trend information as of December 31 follows:

Three Year Trend Information			
Fiscal Year Ending	Annual Required Contribution	Percentage of APC Contributed	Net Pension Obligation
2/29/2012	\$ 141,085	100%	-
2/28/2013	149,604	100%	-
2/28/2014	150,168	100%	-

may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917 or on the web at <http://www.mersofmich.com>.

Funding policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the government's competitive bargaining units and requires a contribution from the employees of 3.00%, 5.00% and 3.00% of gross wages for general employees, police and DPW and VVWTP union, respectively.

Annual pension costs – For year ended 2014, the government's annual pension cost of \$150,168 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2012, using the entry age normal cost method. Significant actuarial assumptions used include: 1) an 8% investment rate of return; 2) projected salary increases of 4.5% per year; and 3) 3% - 4% per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

The following is the most current information available at the time the City's financial statement audit was performed.

Schedule of Funding Progress	
Actuarial valuation date	12/31/2013
Actuarial value of assets	\$ 2,318,731
Actuarial accrued liabilities	3,977,668
Unfunded AAL (UAAL)	1,658,937
Funded ratio	57.6%
Covered payroll	785,506
UAAL as a percentage of covered payroll	211%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

City of Sandusky
Notes to Financial Statements
February 28, 2014

NOTE 10 - POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in the preceding note, the City provides a fixed amount in post-retirement health care benefits per month. Contracts identify specific requirements. There are three participants receiving benefits, and there were expenditures of \$14,400 for the fiscal year.

As permitted by the Michigan Department of Treasury, effective March 1, 2002, the City established an Employee Sick Pay Fund and Employee Health Care Fund. The Employee Sick Pay Fund is used to account for money set-aside for employee's sick pay. The Employee Health Care Fund is for the accumulation and investment of funds to provide for the funding of health care benefits to retired employees and their beneficiaries.

Plan Description – The City of Sandusky administers a single-employer defined benefit plan (the Plan). The plan provides a fixed amount in post – retirement health care benefits per month. The Plan does not issue a publicly available report.

Annual other postemployment benefit (OPEB) Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC). The City has elected to calculate the ARC and related information using the alternative method permitted by GASB Statement No. 45 for employers with plans that have fewer than 100 total members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarially accrued liabilities (or funding excess) over a period not to exceed 25 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$	44,493
Contributions made to OPEB		9,600
Change in net OPEB obligation		34,893
Net OPEB liability, beginning of year		143,619
Net OPEB liability, end of year	\$	<u>178,512</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the past three years is as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 47,145	20%	\$ 74,187
2012	42,535	20%	107,122
2013	46,097	20%	143,619
2014	44,493	20%	178,512

Funding Policy, Funded Status, and Funding Progress – The City funds the Plan on a pay-as-you-go basis. For the year ended February 28, 2014, the City contributed \$9,600 to the Plan. As of February 28, 2014, the actuarial accrued liability for benefits was \$137,441. The projection of future benefits from an ongoing plan involves estimates of the value of the reported amounts and assumptions about the probability of occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.