# CITY OF NORWAY, MICHIGAN

FINANCIAL STATEMENTS
Year Ended June 30, 2019

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SCOTT R. KENNEY

*Certified Public Accountant*

1374 Commercial Ave., Suite #1
Crystal Falls, Michigan 49920
(906) 875-4393 Fax: (906) 875-3879

# INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Norway
915 Main Street
Norway, Michigan 49870

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Norway, Michigan (City), as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the City'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 materials misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Accounting Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 risk 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Member
American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants

## Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norway, Michigan, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 7 through 13 and required supplementary information on pages 63 through 68 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### Other Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Other Supplementary Information, which includes the combining and comparative individual fund financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Other Supplementary Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Other Supplementary Information are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report letter dated September 20, 2019, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Accounting Standards* in considering the City's internal control over financial reporting and compliance.

Certified Public Accountant

September 20, 2019

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Financial Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements.

## The City as a Whole

The City's combined net position increased 1.4% from a year ago - increasing from $9.609 million to $9.745 million. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced a increase of approximately $141 thousand during the year. The business-type activities experienced a $276 thousand increase in net position. The city experienced positive returns in the electric, water, and communication funds with the only business fund with negative returns being the sewer fund. The USDA-RD water and sewer projects were completed during the prior fiscal year with new rates being applied to this fiscal year. The Sturgeon Falls Hydroelectric Runner Project Unit #2 was completed this fiscal year with Unit #1 scheduled for completion in the next fiscal year. The communications fund was corrected during this fiscal year with an adjustment to the video subscriber rate. The sewer fund continues to be monitored very closely with additional capital and operating expenditures expected which are now outside of the previous RD project. The main emphasis of review will be in the personnel operations at the plant. Revenues will have to be evaluated to ensure they exceed planned expenses.

In a condensed format, the table below shows a comparison of the net position (in thousands of dollars) as of the current date to the prior year:

| | Governmental Funds | | Business-Type Funds | | Total | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current Assets | $ 1,197 | $ 1,064 | $ 4,093 | $ 4,671 | $ 5,289 | $ 5,735 |
| Noncurrent Assets | 10,544 | 10,893 | 27,949 | 27,031 | 38,494 | 37,924 |
| Restricted Assets | 0 | 0 | 2,150 | 2,781 | 2,150 | 2,781 |
| Total Assets | $ 11,741 | $ 11,957 | $ 34,192 | $ 34,483 | $ 45,933 | $ 46,440 |
| Deferred Outflows | $ 1,046 | $ 72 | $ 11 | $ 13 | $ 1,057 | $ 85 |
| Long Term Debt | $ 14,722 | $ 13,939 | $ 20,001 | $ 20,231 | $ 34,071 | $ 34,071 |
| Other Liabilities | 803 | 786 | 1,170 | 1,479 | 1,973 | 2,265 |
| Total Liabilities | $ 15,525 | $ 14,626 | $ 21,171 | $ 21,710 | $ 36,695 | $ 36,336 |
| Net Position | | | | | | |
| Invested in Capital | $ 8,404 | $ 8,510 | $ 7,793 | $ 6,639 | $ 16,197 | $ 15,149 |
| Restricted | 940 | 783 | 1,991 | 2,628 | 2,931 | 3,411 |
| Unrestricted | (12,081) | (11,888) | 2,698 | 2,938 | (9,383) | (8,950) |
| Total Net Position | $ (2,737) | $ (2,596) | $ 12,482 | $ 12,206 | $ 9,745 | $ 9,609 |

Unrestricted Net Position - the part of net position that can be used to finance day to day operations, decreased by $433 thousand during the year. Governmental Funds unrestricted net position decreased by $193 thousand. The current level of unrestricted net position for our governmental activities stands at a deficit of $12,081 million. The Business Type Funds unrestricted net position decreased by $248 thousand.

The following table shows the changes of the net position (in thousands of dollars) as of the current date to the prior year:

| | Governmental Funds | | Business-Type Funds | | Total | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Program Revenues | | | | | | |
| Charges for Services | $ 302 | $ 299 | $ 7,666 | $ 7,956 | $ 7,968 | $ 8,255 |
| Operating Grants/Contributions | 736 | 693 | 137 | 55 | 873 | 748 |
| Capital Grants/Contributions | 66 | 67 | 33 | 934 | 99 | 1,001 |
| General Revenues | | | | | | |
| Property Taxes | $ 1,094 | $ 1,079 | $ 0 | $ 0 | $ 1,094 | $ 1,079 |
| State Shared Revenues | 309 | 300 | 0 | 0 | 309 | 300 |
| Unrestricted Investment | 57 | 145 | 60 | 29 | 118 | 174 |
| Fines and Forfeitures | 7 | 8 | 0 | 0 | 7 | 8 |
| Sale of Property | 0 | 18 | 66 | 8 | 66 | 26 |
| Transfers and Other Revenues | (3) | (6) | 3 | 6 | 0 | 0 |
| Total Revenues | $ 1,464 | $ 1,544 | $ 126 | $ 43 | $ 1,594 | $ 1,317 |
| Program Expenses | | | | | | |
| General Government | $ 1,326 | $ 2,147 | $ 0 | $ 0 | $ 1,326 | $ 2,147 |
| Public Safety | 966 | 916 | 0 | 0 | 966 | 916 |
| Public Works | 1,083 | 1,981 | 0 | 0 | 1,083 | 1,981 |
| Recreation and Culture | 376 | 265 | 0 | 0 | 376 | 265 |
| Community Development | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest on Long Term Debt | 75 | 90 | 0 | 0 | 75 | 90 |
| Oak Crest Golf Course | 0 | 0 | 0 | 0 | 0 | 0 |
| Public Utilities | 0 | 0 | 7,690 | 7,456 | 7,690 | 7,456 |
| Total Expenses | $ 3,826 | $ 5,400 | $ 7,690 | $ 7,456 | $ 11,516 | $ 12,856 |
| Change in Net Position | $ (141) | $ (1,715) | $ 276 | $ 1,532 | $ 135 | $ (183) |

The City's net position increased during the year. The change in net position was mainly due to lower expenditures specifically related to general government and public works. The City has also continued to try and control its costs through limiting spending to necessary supplies and services while controlling capital outlays.

Governmental Activities

The City's total governmental revenues decreased by approximately $80 thousand during the year. The decrease is due primarily to a decrease in property sales and unrestricted investment. The decreases were not offset by increases in operating revenue and revenue sharing however the increases from prior year was more singular in event and not indicative of normal operations. The remaining revenue categories remained relatively static to slightly positive.

Total Expenditures decreased approximately $1.574 million during the year. This was primarily due to a decrease in general government and public works expenditures.

Business-Type Activities

The City's business-type activities consist of the Communications, Electric, Water and Sewer Funds. The City provides television, high speed internet and telephone services to residents through its cable communications system. The City also provides electric service to residents by generating hydroelectric power at its own facilities and supplements its customer's needs with power purchased from WPPI Systems. The City owns the Oak Crest Golf Course buildings and grounds however transferred operations of the course to the Oak Crest Golf Club Inc. through an operating lease agreement. The City provides water and sewer services to residents, which come from the City's own systems.

The Communications fund which offers phone (VOIP), high speed internet, and video services had a positive fiscal year mainly due to higher revenues generated from an increase in cable television subscriber rates. The rate structure was increased to compensate for the increases in operating expenditures. The system will continually be reviewed for capital improvements in equipment and plant with future opportunities in upgrading technology upgrades for our customers.

The Electric fund continued with several projects during the past year. The Sturgeon Falls Hydroelectric Facility has a number of structural projects scheduled such as concrete restoration on the dam face and structural improvements to the gates. A large runner replacement project which has been scheduled for the past couple of fiscal years was partially completed this fiscal year and planned final completion in the next fiscal year. The city also has line extension projects scheduled for the next 5 to 10 years, planning one major project per year.

Through the new operating lease agreement with the Oak Crest Golf Club Inc. the city no longer manages day to day operations of the facility and has no expenditures or revenues other than provided within the agreement. The Golf Fund was eliminated with the assets transferred to the General Fund.

The Water and Sewer Fund revenues both remained flat during this past year. The water fund experienced a positive financial position however the sewer fund closed in a deficit. Normal capital expenditures will be programmed for both water and sewer funds for each fiscal year however the sewer fund operating expenditure budget will need to be addressed in this fiscal year.

## The City's Funds

Analysis of the City's major funds begins on page 17, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as a special property tax millage. The City's major funds for 2018-2019 include the General Fund, Capital Projects Fund and each of the business type funds.

The General Fund pays for most of the City's governmental services. The most significant are general maintenance of city property and buildings, maintaining the City's equipment, police and fire services and general administration. These services are primarily funded from property taxes assessed to the residents of the City, sales tax revenues shared with the State of Michigan, and transfers from the business type units.

## General Fund Budgetary Highlights

Over the course of the year, the City Council amended the budget to take into account events during the year. Property tax rates were maintained at the same level as the prior year.

## Capital Asset and Debt Administration

At the end of the 2018-2019 fiscal year, the City had more than $32 million invested in a broad range of capital assets that are being systematically depreciated over the estimated useful lives of the various assets. These include snow removal equipment, police and fire equipment, land, buildings, community television/internet/telephone system, electric system, golf course, water and sewer systems. In addition, the City has invested significantly in roads and buildings within the City. The cost value of the roads at the end of the 2018-2019 fiscal year was nearly $13 million. These roads are maintained by the City with the costs recorded in the major and local street funds.

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

The City's budget for 2019-2020 calls for a freeze on property tax rates. This can be

accomplished because of the controls that are being placed on governmental fund expenditures and previously approved millage designated for roads and fire equipment. Because of the impact of Proposal A and a precarious cash position, however, the City needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than the inflationary rate, the mathematical result of this is that the total taxable value for the City will grow at a rate less than inflation, before considering new property additions.

## Contacting the City's Management

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

# BASIC

# FINANCIAL

# STATEMENTS

CITY OF NORWAY
GOVERNMENT WIDE STATEMENT OF NET POSITION
June 30, 2019

| | PRIMARY GOVERNMENT | | |
|---|---|---|---|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and equivalents | $ 971,929 | $ 2,792,440 | $ 3,764,369 |
| Receivables - net | 36,363 | 694,784 | 731,147 |
| Due from other governmental units | 168,448 | 30,688 | 199,136 |
| Inventory | 0 | 253,267 | 253,267 |
| Prepaid expenses | 20,133 | 16,519 | 36,652 |
| Internal balances | 0 | 305,000 | 305,000 |
| TOTAL CURRENT ASSETS | $ 1,196,873 | $ 4,092,698 | $ 5,289,571 |
| RESTRICTED ASSETS - Cash and equivalents | $ 0 | $ 2,149,856 | $ 2,149,856 |
| NON-CURRENT ASSETS | | | |
| Property and equipment, net of depreciation | $ 10,105,884 | $ 27,949,475 | $ 38,055,359 |
| Investments | 438,509 | 0 | 438,509 |
| TOTAL NON-CURRENT ASSETS | $ 10,544,393 | $ 27,949,475 | $ 38,493,868 |
| TOTAL ASSETS | $ 11,741,266 | $ 34,192,029 | $ 45,933,295 |
| DEFERRRED OUTFLOW OF RESOUCES | | | |
| Bond discount | $ 0 | $ 10,706 | $ 10,706 |
| Related to pensions | 1,046,081 | 0 | 1,046,081 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | $ 82,105 | $ 257,893 | $ 339,998 |
| Accrued and other liabilities | 38,184 | 331,746 | 369,930 |
| Interprogram payables | 305,000 | 0 | 305,000 |
| Current part of non-current liabilities | 377,455 | 580,441 | 957,896 |
| TOTAL CURRENT LIABILITIES | $ 802,744 | $ 1,170,080 | $ 1,972,824 |
| NON-CURRENT LIABILITIES | | | |
| Compensated absences | $ 149,755 | $ 0 | $ 149,755 |
| Notes payable | 0 | 14,931 | 14,931 |
| Bonds payable | 1,324,420 | 0 | 1,324,420 |
| Revenue bonds payable | 0 | 19,985,698 | 19,985,698 |
| Unfunded other postemployment obligation | 614,684 | 0 | 614,684 |
| Unfunded pension obligation | 12,632,897 | 0 | 12,632,897 |
| TOTAL NON-CURRENT LIABILITIES | $ 14,721,756 | $ 20,000,629 | $ 34,722,385 |
| TOTAL LIABILITIES | $ 15,524,500 | $ 21,170,709 | $ 36,695,209 |
| DEFERRRED INFLOW OF RESOUCES | | | |
| Bond premium | $ 0 | $ 550,006 | $ 550,006 |
| NET POSITION | | | |
| Invested in capital | $ 8,404,009 | $ 7,793,296 | $ 16,197,305 |
| Restricted | 939,641 | 1,991,103 | 2,930,744 |
| Unrestricted | (12,080,804) | 2,697,621 | (9,383,183) |
| TOTAL NET POSITION | $ (2,737,154) | $ 12,482,020 | $ 9,744,866 |

Notes to Financial Statements are an integral part of this statement.

CITY OF NORWAY
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2019

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES: CHARGES FOR SERVICES | PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS | PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS | NET REVENUE (EXPENSE) AND CHANGES IN NET ASSETS — PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
|---|---|---|---|---|---|---|---|
| Governmental Activities | | | | | | | |
| General government | $ 1,326,210 | $ 0 | $ 151,686 | $ 0 | $ (1,174,524) | | $ (1,174,524) |
| Public safety | 965,565 | 68,232 | 4,794 | 1,108 | (891,431) | | (891,431) |
| Public works | 1,083,363 | 234,187 | 579,505 | 0 | (269,671) | | (269,671) |
| Recreation and culture | 376,404 | 0 | | 64,784 | (311,620) | | (311,620) |
| Interest and fees on long-term debt | 74,642 | 0 | 0 | 0 | (74,642) | | (74,642) |
| TOTAL GOVERNMENTAL ACTIVITIES | $ 3,826,185 | $ 302,419 | $ 735,985 | $ 65,892 | $ (2,721,889) | | $ (2,721,889) |
| Business-Type Activities | | | | | | | |
| Communications | $ 1,712,647 | $ 1,795,625 | $ 0 | $ 0 | | $ 82,978 | $ 82,978 |
| Electric | 3,767,482 | 3,928,597 | 0 | 0 | | 161,115 | 161,115 |
| Water | 959,646 | 979,841 | 0 | 0 | | 20,195 | 20,195 |
| Sewer | 1,250,082 | 962,039 | 137,348 | 32,800 | | (117,895) | (117,895) |
| TOTAL BUSINESS-TYPE ACTIVITIES | $ 7,689,857 | $ 7,666,102 | $ 137,348 | $ 32,800 | | $ 146,393 | $ 146,393 |
| GENERAL REVENUES | | | | | | | |
| Property taxes | | | | | $ 1,093,627 | $ 0 | $ 1,093,627 |
| State shared revenues and grants | | | | | 309,017 | 0 | 309,017 |
| Unrestricted investments earnings | | | | | 57,319 | 60,377 | 117,696 |
| Fines and forfeitures | | | | | 7,250 | 0 | 7,250 |
| Administrative fees | | | | | 1,088,575 | 0 | 1,088,575 |
| Other | | | | | 28,219 | 0 | 28,219 |
| SPECIAL ITEMS | | | | | | | |
| Gain on the sale of property | | | | | 0 | 66,496 | 66,496 |
| TRANSFERS | | | | | (3,180) | 3,180 | 0 |
| TOTAL GENERAL REVENUES AND SPECIAL ITEMS | | | | | $ 2,580,827 | $ 130,053 | $ 2,710,880 |
| CHANGE IN NET POSITION | | | | | $ (141,062) | $ 276,446 | $ 135,384 |
| Net position - beginning | | | | | (2,596,092) | 12,205,574 | 9,609,482 |
| NET POSITION - ENDING | | | | | $ (2,737,154) | $ 12,482,020 | $ 9,744,866 |

Notes to Financial Statements are an integral part of this statement.

CITY OF NORWAY
GOVERNMENTAL FUNDS BALANCE SHEET
COMBINED BALANCE SHEET
June 30, 2019

| | GENERAL FUND | MAJOR STREET FUND | NON-MAJOR FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash and equivalents | $ 295,265 | $ 220,412 | $ 456,252 | $ 971,929 |
| Taxes and accounts receivable | 36,363 | 0 | 0 | 36,363 |
| Due from other funds | 0 | 0 | 0 | 0 |
| Due from fiduciary funds | 0 | 0 | 0 | 0 |
| Due from other governmental units | 53,010 | 57,043 | 58,395 | 168,448 |
| Prepaid expenses | 20,083 | 0 | 50 | 20,133 |
| Investments | 438,509 | 0 | 0 | 438,509 |
| TOTAL ASSETS | $ 843,230 | $ 277,455 | $ 514,697 | $ 1,635,382 |
| LIABILITIES | | | | |
| Accounts payable | $ 41,821 | $ 196 | $ 40,088 | $ 82,105 |
| Accrued payroll expense | 19,408 | 843 | 8,575 | 28,826 |
| Accrued taxes and withholdings | 1,657 | 64 | 655 | 2,376 |
| Due to other funds | 305,000 | 0 | 0 | 305,000 |
| Due to other governmental units | 0 | 0 | 0 | 0 |
| Other liabilities | 746 | 0 | 0 | 746 |
| TOTAL LIABILITIES | $ 368,632 | $ 1,103 | $ 49,318 | $ 419,053 |
| FUND BALANCE | | | | |
| Nonspendable | $ 20,083 | $ 0 | $ 50 | $ 20,133 |
| Restricted | 0 | 276,352 | 376,951 | 653,303 |
| Committed | 205,060 | 0 | 81,278 | 286,338 |
| Unassigned | 249,455 | 0 | 7,100 | 256,555 |
| TOTAL FUND EQUITY | $ 474,598 | $ 276,352 | $ 465,379 | $ 1,216,329 |
| TOTAL LIABILITIES AND FUND EQUITY | $ 843,230 | $ 277,455 | $ 514,697 | $ 1,635,382 |

The Notes to Financial Statements are an integral part of this statement.

CITY OF NORWAY

RECONCILIATION OF FUND BALANCE ON BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2019

| | | |
|---|---|---|
| Total fund balance - total governmental funds | $ | 1,216,329 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds net of related depreciation | | 10,105,884 |
| Deferred outflow of resources related to pensions | | 1,046,081 |
| Accrued interest payable not recorded on governmental financial statements | | (6,236) |
| Long term liabilities: | | |
| Bonds/loans not due and payable with the current period and not reported in the funds | | (1,701,875) |
| Accumulated employee benefit pay not used in current period | | (149,755) |
| Net other postretirement employee benefit (OPEB) obligation | | (614,684) |
| Net pension liability not reported in the funds | | (12,632,897) |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | $ | (2,737,154) |

Notes to Financial Statements are an integral part of this statement.

CITY OF NORWAY
ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Year ended June 30, 2019

| | GENERAL FUND | MAJOR STREET FUND | NON-MAJOR FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|
| REVENUES | | | | |
| General property taxes | $ 840,972 | $ 0 | $ 252,655 | $ 1,093,627 |
| Federal grant/loan | 0 | 0 | 0 | 0 |
| State shared revenues and grants | 315,645 | 415,493 | 315,561 | 1,046,699 |
| Contribution from other governmental units | 0 | 9,205 | 18,409 | 27,614 |
| Local grants/contributions | 801 | 0 | 35,780 | 36,581 |
| Charges for services | 234,187 | 0 | 68,232 | 302,419 |
| Fines and forfeitures | 7,250 | 0 | 0 | 7,250 |
| Interest and rentals | 354,067 | 4,167 | 2,918 | 361,152 |
| Sale of supplies/property | 223 | 0 | 0 | 223 |
| Administrative fees | 1,088,575 | 0 | 0 | 1,088,575 |
| Other | 9,946 | 0 | 18,050 | 27,996 |
| TOTAL REVENUES | $ 2,851,666 | $ 428,865 | $ 711,605 | $ 3,992,136 |
| EXPENDITURES | | | | |
| General government | $ 985,869 | $ 0 | $ 74,665 | $ 1,060,534 |
| Public safety | 744,235 | 0 | 143,811 | 888,046 |
| Public works | 639,261 | 256,237 | 232,577 | 1,128,075 |
| Parks and recreation | 266,912 | 0 | 45,843 | 312,755 |
| Debt service | 2,016 | 0 | 439,029 | 441,045 |
| Capital outlay | 16,879 | 0 | 89,081 | 105,960 |
| TOTAL EXPENDITURES | $ 2,655,172 | $ 256,237 | $ 1,025,006 | $ 3,936,415 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | $ 196,494 | $ 172,628 | $ (313,401) | $ 55,721 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer from other funds | $ 0 | $ 0 | $ 550,094 | $ 550,094 |
| Bond proceeds | 99,261 | 0 | 0 | 99,261 |
| Transfer to other funds | (242,193) | (160,238) | (150,843) | (553,274) |
| EXCESS OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES | $ 53,562 | $ 12,390 | $ 85,850 | $ 151,802 |
| Fund balance - beginning | 421,036 | 263,962 | 379,529 | 1,064,527 |
| FUND BALANCE - ENDING | $ 474,598 | $ 276,352 | $ 465,379 | $ 1,216,329 |

Notes to Financial Statements are an integral part of this statement.

CITY OF NORWAY
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2019

| | | |
|---|---|---|
| Net change in fund balance - total governmental funds | | $ 151,802 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Governmental funds report capital outlays as expenditures; in the Statement of Activities these costs are allocated over their estimated useful life and reported as depreciation | | (371,396) |
| Current year additions | | |
| General government | 15,795 | |
| Recreation and culture | 85,706 | |
| Public works | 0 | |
| Public safety | 4,459 | |
| Current year disposals (cost, net of accumulated depreciation): | | |
| General government | 0 | |
| Depreciation | | |
| General government | (75,945) | |
| Public safety | (72,825) | |
| Public works | (262,423) | |
| Recreation and culture | (66,162) | |
| Changes in Deferred Outflows of Resources is recorded on the Statement of Activities but not in the fund statements | | 973,636 |
| Decrease in accrued interest not recorded as expenditure in governmental funds | | 1,321 |
| Proceeds on bond - recorded as revenue in governmental funds and as a liability on the government-wide statements | | (99,261) |
| Repayments of long term debt principal | | 365,082 |
| DDA bonds - 2012 issue | 155,000 | |
| City Hall bonds | 75,000 | |
| Fire Hall bonds | 31,000 | |
| Fire truck general obligation bond | 17,500 | |
| Street improvement general obligation bonds | 70,000 | |
| Installment purchase contract - dump truck | 14,566 | |
| Golf course infrastructure | 2,016 | |
| Increases in accumulated employee benefit pay are recorded when earned in the Statement of Activities. | | (1,492) |
| General government | (2,613) | |
| Public safety | (4,694) | |
| Public works | 3,302 | |
| Recreation and culture | 2,513 | |
| Changes in Net OPEB obligation is recorded on the Statement of Activities but not in the fund statements - recognition per GASB Statement No. 75 | | 46,497 |
| Changes in Net Pension Liability is recorded on the Statement of Activities but not in the fund statements | | (1,207,251) |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | | $ (141,062) |

Notes to Financial Statements are an integral part of this statement.

CITY OF NORWAY
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2019

| | COMMUNICATIONS SYSTEMS | ELECTRIC UTILITY | WATER UTILITY | SEWER UTILITY | TOTAL |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and equivalents | $ 404,559 | $ 2,038,841 | $ 41,965 | $ 307,075 | $ 2,792,440 |
| Accounts receivable | 209,224 | 297,487 | 92,247 | 95,826 | 694,784 |
| Due from other funds | 0 | 305,000 | 0 | 0 | 305,000 |
| Due from other governmental units | 0 | 0 | 0 | 30,688 | 30,688 |
| Inventory | 22,121 | 160,423 | 51,767 | 18,956 | 253,267 |
| Prepaid expenses | 2,172 | 7,995 | 3,398 | 2,954 | 16,519 |
| TOTAL CURRENT ASSETS | $ 638,076 | $ 2,809,746 | $ 189,377 | $ 455,499 | $ 4,092,698 |
| Restricted Assets | $ 38,096 | $ 1,502,566 | $ 344,024 | $ 265,170 | $ 2,149,856 |
| Property, Plant and Equipment: | | | | | |
| Utility system and equipment | $ 1,498,156 | $ 24,085,877 | $ 9,269,218 | $ 10,948,313 | $ 45,801,564 |
| Less accumulated depreciation | (905,047) | (11,439,504) | (3,512,642) | (1,994,896) | (17,852,089) |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | $ 593,109 | $ 12,646,373 | $ 5,756,576 | $ 8,953,417 | $ 27,949,475 |
| TOTAL ASSETS | $ 1,269,281 | $ 16,958,685 | $ 6,289,977 | $ 9,674,086 | $ 34,192,029 |
| DEFERRED OUTFLOW OF RESOURCES | | | | | |
| Bond discount | $ 0 | $ 10,706 | $ 0 | $ 0 | $ 10,706 |
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable - trade | $ 88,366 | $ 88,608 | $ 4,082 | $ 76,837 | $ 257,893 |
| Accounts payable - construction | 0 | 0 | 0 | 0 | 0 |
| Salaries and wages payable | 1,937 | 9,306 | 3,838 | 3,447 | 18,528 |
| Accrued taxes and withholdings | 148 | 712 | 286 | 260 | 1,406 |
| Due to other funds | 0 | 0 | 0 | 0 | 0 |
| Accrued interest | 4,758 | 25,819 | 18,839 | 10,720 | 60,136 |
| Accrued benefits | 6,158 | 16,784 | 41,846 | 19,350 | 84,138 |
| Other accrued expenses | 0 | 8,785 | 0 | 0 | 8,785 |
| Security deposits | 0 | 158,753 | 0 | 0 | 158,753 |
| Current portion of long term liabilities | 50,000 | 292,447 | 122,000 | 115,994 | 580,441 |
| TOTAL CURRENT LIABILITIES | $ 151,367 | $ 601,214 | $ 190,891 | $ 226,608 | $ 1,170,080 |
| Long Term Liabilities | $ 965,000 | $ 7,674,151 | $ 4,609,000 | $ 6,752,478 | $ 20,000,629 |
| TOTAL LIABILITIES | $ 1,116,367 | $ 8,275,365 | $ 4,799,891 | $ 6,979,086 | $ 21,170,709 |
| DEFERRED INFLOW OF RESOURCES | | | | | |
| Bond premium | $ 9,285 | $ 540,721 | $ 0 | $ 0 | $ 550,006 |
| NET POSITION | | | | | |
| Invested in capital | $ 0 | $ 4,679,775 | $ 1,025,576 | $ 2,087,945 | $ 7,793,296 |
| Restricted | 38,096 | 1,343,813 | 344,024 | 265,170 | 1,991,103 |
| Unrestricted | 105,533 | 2,129,717 | 120,486 | 341,885 | 2,697,621 |
| TOTAL NET POSITION | $ 143,629 | $ 8,153,305 | $ 1,490,086 | $ 2,695,000 | $ 12,482,020 |

The Notes to Financial Statements are an integral part of this statement.

CITY OF NORWAY
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2019

| | COMMUNICATIONS SYSTEMS | ELECTRIC UTILITY | WATER UTILITY | SEWER UTILITY | TOTAL |
|---|---|---|---|---|---|
| OPERATING REVENUES | | | | | |
| User charges | $ 1,769,566 | $ 3,890,862 | $ 936,014 | $ 947,699 | $ 7,544,141 |
| User penalties | 19,045 | 36,613 | 10,827 | 14,340 | 80,825 |
| State grants | 0 | 0 | 0 | 137,348 | 137,348 |
| Other | 7,014 | 1,122 | 33,000 | 0 | 41,136 |
| TOTAL OPERATING REVENUES | $ 1,795,625 | $ 3,928,597 | $ 979,841 | $ 1,099,387 | $ 7,803,450 |
| OPERATING EXPENSES | | | | | |
| Generation, transmission, distribution and maintenance | $ 1,612,765 | $ 2,808,871 | $ 594,810 | $ 906,395 | $ 5,922,841 |
| Depreciation | 71,618 | 669,582 | 208,704 | 186,722 | 1,136,626 |
| TOTAL OPERATING EXPENSES | $ 1,684,383 | $ 3,478,453 | $ 803,514 | $ 1,093,117 | $ 7,059,467 |
| OPERATING INCOME (LOSS) | $ 111,242 | $ 450,144 | $ 176,327 | $ 6,270 | $ 743,983 |
| NON-OPERATING GAINS (LOSSES) | | | | | |
| Interest | $ 5,575 | $ 47,116 | $ 2,230 | $ 5,456 | $ 60,377 |
| Federal grant | 0 | 0 | 0 | 32,800 | 32,800 |
| Gain/(loss) on disposal of property and equipment | 0 | 66,496 | 0 | 0 | 66,496 |
| Interest and fee payments | (28,264) | (289,029) | (132,067) | (124,542) | (573,902) |
| Bond discount amortization | 0 | 0 | (24,065) | 0 | (24,065) |
| Contribution capital, net of amortization | 0 | 0 | 0 | (32,424) | (32,424) |
| NON-OPERATING TRANSFERS | | | | | |
| From other funds | $ 6,577 | $ 5,780 | $ 0 | $ 0 | $ 12,357 |
| To other funds | 0 | (9,177) | 0 | 0 | (9,177) |
| NET INCOME (LOSS) | $ 95,130 | $ 271,330 | $ 22,425 | $ (112,440) | $ 276,445 |
| Net position - beginning | 48,499 | 7,881,975 | 1,467,661 | 2,807,440 | 12,205,575 |
| NET POSITION - ENDING | $ 143,629 | $ 8,153,305 | $ 1,490,086 | $ 2,695,000 | $ 12,482,020 |

Notes to Financial Statements are an integral part of this statement.

CITY OF NORWAY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year ended June 30, 2019

| | COMMUNICATIONS SYSTEMS | ELECTRIC UTILITY | WATER UTILITY | SEWER UTILITY | TOTAL |
|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers | $ 1,740,694 | $ 3,951,189 | $ 985,055 | $ 939,507 | $ 7,616,445 |
| State grant received | 0 | 0 | 0 | 149,597 | 149,597 |
| Payments to suppliers | (1,446,961) | (2,030,903) | (302,925) | (504,130) | (4,284,919) |
| Payments to or on behalf of employees | (158,260) | (859,097) | (302,837) | (358,803) | (1,678,997) |
| TOTAL CASH FLOWS FROM OPERATING ACTIVITIES | $ 135,473 | $ 1,061,189 | $ 379,293 | $ 226,171 | $ 1,802,126 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | | |
| Transfer from (to) other funds | 0 | (3,397) | 0 | 0 | (3,397) |
| Loans repaid from (repaid to) other funds | 6,577 | 79,000 | (60,000) | 0 | 25,577 |
| TOTAL CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | $ 6,577 | $ 75,603 | $ (60,000) | $ 0 | $ 22,180 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Principal and interest paid on capital debt | $ (79,050) | $ (604,605) | $ (238,503) | $ (237,699) | $ (1,159,857) |
| Purchases of capital assets | (6,577) | (1,857,243) | (43,037) | (421,521) | (2,328,378) |
| Proceeds from sale of equipment | 0 | 66,496 | 0 | 0 | 66,496 |
| Federal grant proceeds | 0 | 0 | 0 | 32,800 | 32,800 |
| Bond proceeds | 0 | 0 | 0 | 337,000 | 337,000 |
| Funding of restricted accounts | 162 | 757,783 | (4,314) | (116,810) | 636,821 |
| TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | $ (85,465) | $ (1,637,569) | $ (285,854) | $ (406,230) | $ (2,415,118) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest earned | $ 5,575 | $ 47,116 | $ 2,230 | $ 5,456 | $ 60,377 |
| NET INCREASE (DECREASE) IN CASH | $ 62,160 | $ (453,661) | $ 35,669 | $ (174,603) | $ (530,435) |
| Cash and equivalents - beginning | 342,399 | 2,492,502 | 6,296 | 481,678 | 3,322,875 |
| CASH AND EQUIVALENTS - ENDING | $ 404,559 | $ 2,038,841 | $ 41,965 | $ 307,075 | $ 2,792,440 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | | |
| Operating income (loss) | $ 111,242 | $ 450,144 | $ 176,327 | $ 6,270 | $ 743,983 |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | | | | | |
| Depreciation | 71,618 | 669,582 | 208,704 | 186,722 | 1,136,626 |
| Change in Assets and Liabilities | | | | | |
| Receivables - net | (54,931) | 22,592 | 5,214 | 1,966 | (25,159) |
| Due from other governmental units | 0 | 0 | 0 | (12,249) | |
| Inventory | 416 | 14,739 | (12,086) | 1,810 | 4,879 |
| Prepaid expenses | 647 | 374 | 1,250 | (206) | 2,065 |
| Accounts payable - trade | 7,607 | (101,422) | (1,579) | 42,903 | (52,491) |
| Accrued payroll expense | 130 | 723 | 672 | 177 | 1,702 |
| Accrued taxes and withholdings | 10 | 57 | 51 | 14 | 132 |
| Sales tax payable | 0 | (886) | 0 | 0 | (886) |
| Accrued benefits | (1,266) | 5,286 | 740 | (1,236) | 3,524 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | $ 135,473 | $ 1,061,189 | $ 379,293 | $ 226,171 | $ 1,814,375 |

Notes to Financial Statements are an integral part of this statement.

CITY OF NORWAY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2019

| | AGENCY FUND TYPE | TRUST FUND TYPE |
|---|---|---|
| | Tax Collections | Retiree Insurance Trust Fund |
| **ASSETS** | | |
| Cash and equivalents | $ 0 | $ 0 |
| Accounts receivable - net | 0 | 601 |
| Due from other funds | 0 | 0 |
| Interest and dividend receivable | 0 | 0 |
| Investments | 0 | 550,741 |
| Prepaid expenses | 0 | 5,950 |
| TOTAL ASSETS | $ 0 | $ 557,292 |
| **LIABILITIES** | | |
| Bank overdraft | $ 0 | $ 6,551 |
| Due to other funds | 0 | 0 |
| Due to other governmental units | 0 | 0 |
| Deferred revenue | 0 | 0 |
| TOTAL LIABILITIES | $ 0 | $ 6,551 |
| **NET POSITION** | | |
| Held in trust for retiree insurance benefits | | $ 550,741 |

The Notes to Financial Statements are an integral part of this statement.

CITY OF NORWAY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
Year ended June 30, 2019

| | | Tax Collection | | Retiree Insurance Trust Fund |
|---|---|---|---|---|
| ADDITIONS | | | | |
| Contributions | | | | |
| Taxes and related interest and penalties collected | $ | 2,506,956 | $ | 0 |
| Tax overpayments | | 5,960 | | 0 |
| Retiree contributions | | 0 | | 40,103 |
| Employer contributions | | 0 | | 94,422 |
| Total Contributions | $ | 2,512,916 | $ | 134,525 |
| Investment Income | | | | |
| Increase/(decrease) in fair value of investments | $ | 0 | $ | 0 |
| Interest, dividends and realized gains | | 0 | | 22,160 |
| Net Investment Income | $ | 0 | $ | 22,160 |
| TOTAL ADDITIONS | $ | 2,512,916 | $ | 156,685 |
| DEDUCTIONS | | | | |
| Tax distributions | $ | 2,513,727 | $ | 0 |
| Benefits paid | | 0 | | 89,685 |
| Administrative costs | | 0 | | 2,307 |
| TOTAL DEDUCTIONS | $ | 2,513,727 | $ | 91,992 |
| NET INCREASE | $ | (811) | $ | 64,693 |
| NET POSITION HELD IN TRUST FOR PENSION OR RETIREE INSURANCE BENEFITS | | | | |
| Beginning | $ | 811 | $ | 486,048 |
| ENDING | $ | (0) | $ | 550,741 |

The Notes to Financial Statements are an integral part of this statement.

# NOTES

# TO

# FINANCIAL

# STATEMENTS

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Norway (City) 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 used by the City:

### REPORTING ENTITY

The City is governed by an elected five member council (Council). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

#### Blended Component Unit

Downtown Development Authority - The Downtown Development Authority is governed by a board which has been appointed by the City Council. For financial reporting purposes, the Downtown Development Authority is reported in a separate Special Revenue Fund.

### GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide statements (i.e., Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges the services or applicants for who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for state shared revenues, reimbursement-based grants and interest which use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, intergovernmental revenue, charges and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal ongoing operations. The principal operating revenues of the proprietary funds are charges for services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the revenues and expenditures associated with the City's Major Streets as defined by the Michigan Department of Transportation.

The City reports the following major proprietary funds:

The Communications Fund f/k/a Television/Internet/Telephone Fund accounts for the activities of the community television, internet and telephone systems.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Electric Fund accounts for the activities of the power generation and distribution system.

The Water Fund accounts for the activities of the water distribution system.

The Sewer Fund accounts for the activities of the sewer collection system.

Additionally, the City reports the following fund types:

The Special Revenue Funds are used to account for the proceeds of special revenue sources that are legally restricted to expenditures for specific purposes.

The Debt Service Funds are used to account for the financial resources that are restricted, committed, or assigned to expenditure of principal and interest.

The Capital Projects Funds are used to account for financial resources and activities related to capital projects/improvements or equipment acquisition.

The Agency Fund is used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments.

The Trust Fund is used to account for financial resources and activities on behalf of current and retired employees to provide primarily health insurance benefits once they retire.

### BUDGET AND BUDGETARY ACCOUNTING

Formal budgetary accounting is employed as a management control for all funds of the City. The budgetary financial statements included in this report do not include the proprietary funds of the City. For the funds required to adopt a budget, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of generally accepted accounting principles.

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

1. The City Manager submits to the City Council, a recommended operating budget for the fiscal year commencing July 1. The proposed budget includes expenditures and the means of financing them.

2. Public hearing is held to obtain taxpayers comments.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### BUDGET AND BUDGETARY ACCOUNTING (CONTINUED)

3. The budget is legally enacted by City Council adoption authorizing a General Appropriation Act for the fiscal year.
4. Any revisions to budgeted amounts are approved by the City Council.
5. Budgeted amounts are as originally adopted, plus amendments made on or before June 30 by the City Council.
6. The budget expires on June 30 of the budget year.

### CASH AND POOLED INVESTMENTS

For the purpose of the statement of cash flows, the City considers cash and pooled investments to be cash and cash equivalents because the pooling of these balances allows for withdrawal of these balances at any time similar to a demand deposit account. Restricted cash consists of amount set aside in accordance with bond provisions for principal payment in the event of default and/or system improvements.

Statutory Authority

State statute authorizes the city to invest in:

a. Bond, securities, other obligations and repurchase agreements of the United States, or any agency or instrumentality of the United States.

b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

d. Bankers acceptances of United States banks.

e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.

f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by public corporation.

g. External investment pools as authorized by Public Act 20 as amended.

h. The retiree insurance fund is also allowed to invest in corporate debt and equity securities.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### RECEIVABLES

All receivables are reported in a gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

### DO TO AND DUE FROM OTHER FUNDS

Interfund receivables and payables arise from interfund transactions that are recorded by all funds affected in the period in which transactions are executed.

### INVENTORY AND PREPAID ITEMS

Where each fund's inventory value is material to that fund, the value of the inventory is recorded in the financial records. Where the value is immaterial, the amount is not recorded as an asset on the financial statements. The inventory consists primarily of parts and supplies necessary to accomplish the duties of the funds.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

### RESTRICTED ASSETS

Money that is restricted for a designated purpose (i.e. construction, capital improvements, debt service) are segregated from operational cash accounts due to their restriction. In addition, some bonds contain covenants that require the City to establish and maintain prescribed amounts of resources for making system improvements or future bond payments.

### CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available at estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) on the date received. The amount reported for infrastructure includes only assets added since 2003.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### CAPITAL ASSETS (CONTINUED)

lives of the related capital assets, as applicable.

No interest expense has been capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure), is computed using the straight-line method over the following estimated useful lives:

| | | | |
|---|---|---|---|
| Buildings | 40 to 60 years | Building Improvements | 15 to 30 years |
| Television and internet | 5 to 25 years | Electric System | 5 to 40 years |
| Water and Sewer Lines | 40 to 60 years | Roads | 10 to 30 years |
| Other Infrastructure | 10 to 40 years | Vehicles | 3 to 5 years |
| Office Equipment | 5 to 7 years | | |

### COMPENSATED ABSENCES

It is the government's policy to permit employees to accumulate earned but unused vacation, personal and sick pay benefits. There is a liability for unpaid accumulated sick leave since the government has a policy to pay a portion of the accumulated benefits to employees upon separation from service with the government in some circumstances. All vacation and personal leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

### LONG-TERM OBLIGATIONS

In the government-wide financial statements in proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures/expenses.

### GRANTING OF CREDIT

The City grants credit to the State of Michigan and various local units of government. The City also extends credit to its enterprise fund customers.

## NOTE A - 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. The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. The first is the deferred charge on a bond issue reported in the government wide Statement of Net Position. A deferred charge on a bond issue results from the difference in the carrying value of the debt and its acquisition price. This amount is deferred and amortized over the life of the bond. The second deferred charge is related to the recognition of pension costs.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City does not have any items that qualify for reporting in this category. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available.

### NET POSITION AND FUND BALANCE REPORTING

Governmental funds report fund balance in the following five categories:

a. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (1) not in an expendable form or (2) legally or contractually required to be maintained intact. Non-spendable fund balance would be equal to inventory, prepaid items, noncurrent financial assets, and the non-spendable portion of endowments.
b. Restricted - the related assets can only be spent for the specific purposes stipulated by the Charter, external source providers, or as identified in enabling legislation.
c. Committed - the related assets can only be spent for the specific purpose identified by formal resolution of the governing board.
d. Assigned - the related assets can only be spent for a specific purpose identified by management as authorized by the governing board.
e. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

Business-type funds report net position in the following three categories:

a. Investment in Capital - The portion of net position that consists of capital assets, net of accumulated depreciation and reduced by liabilities attributable to the acquisition, construction or improvement of those assets.
b. Restricted Net Position - Net position is restricted when there is constraints placed on their use by external parties or by statute.
c. Unrestricted Net Position - Net position not meeting either category above are considered unrestricted.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### NET POSITION AND FUND BALANCE FLOW ASSUMPTIONS

Sometimes the government is able to fund outlays for a particular purpose from either restricted (e.g., restricted bond or grant proceeds) or unrestricted resources. In order to calculate the amounts to report as restricted - net position/fund balance and unrestricted net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, and unrestricted resources as they are needed. Further when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### PROPERTY TAXES

City property taxes are attached as an enforceable lien on property as of December 31. Summer taxes are levied July 1 and are due without penalty on or before September 15, and winter taxes are levied on December 1 that are due without penalty on or before February 15. The summer tax bills include the city's own property taxes. Real property taxes not collected are turned over to Dickinson County for collection, which advances the City 100% of the delinquent real property taxes. Collection of the delinquent personal property taxes remains the responsibility of the City Treasurer. The City Council has delegated the authority to assign fund balance to the City Manager.

In addition to its own taxes, the City collects taxes for the State of Michigan, Dickinson County, the local school district and the intermediate school district.

The City is permitted to assess 20 mills for general governmental services according to its charter. The City actually assessed 16.3942 mills for operations, 1.2650 mills for road improvements and 0.3520 mills for debt service on the Fire Truck obligation. These assessments generated net tax collections of $840,972 recorded in the General Fund for operations, $19,435 recorded in the Fire Protection Fund for the Fire Truck debt, $163,352 in the Downtown Development Authority and $69,868 in the Local Street Fund.

### PENSIONS

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 Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are determined by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

## NOTE A–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

### 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 the 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 may differ from those estimates.

### SUBSEQUENT EVENTS

Events subsequent to the end of the fiscal year through the date of the audit report have been evaluated and no events occurred that require disclosure with these financial statements.

## NOTE B–STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

Annual budgets are adopted on a cash basis. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. (i.e., The level at which expenditures may not legally exceed appropriations.)

### Public Act 275 of 1980

None of the City's governmental funds has an Unassigned Fund Balance deficit at June 30, 2019. In addition, none of the City's Proprietary Funds have Unrestricted Net Position deficits at June 30, 2019.

### Excess of Expenditures Over Appropriations In Budgetary Funds

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures, budgeted expenditures and related variances for the budgetary funds have been shown on an activity basis. The approved budgets of the City for these budgetary funds were adopted on the activity level.

## NOTE B–STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Material variances occurring in the budgetary funds are listed here:

| Fund/Activity | Actual | Amended Budget | Variance | % |
|---|---|---|---|---|
| General-Administration/Finance/Legal | $ 829,435 | $ 817,050 | $ 12,385 | 2 |
| General-Public Works-Refuse | 180,000 | 179,505 | 495 | < 1 |
| General-Parks and Recreation | 256,879 | 166,218 | 90,661 | 55 |
| General-Debt Service | 2,016 | 0 | 2,016 | ~ |
| Major Streets-Trunkline Maintenance | 20,214 | 19,120 | 1,094 | 6 |
| Major Streets-Transfers to other funds | 160,238 | 145,000 | 15,238 | 11 |
| Local Streets-Route Maintenance | 112,508 | 108,495 | 4,013 | 4 |
| Downtown Development-Supplies | 9,725 | 0 | 9,725 | ~ |
| Downtown Development-Capital Outlay | 28,113 | 27,468 | 645 | 2 |
| Museum-Parks and recreation | 30,400 | 28,687 | 1,713 | 6 |
| Debt Service-Debt Service | 256,259 | 256,059 | 200 | 1 |
| Capital Projects-Capital Outlay | 85,706 | 47,000 | 38,706 | 82 |

## NOTE C – DEPOSITS AND INVESTMENTS

At year-end, the City's deposits and investments were reported in the basic financial statements in the following categories:

**CASH**

| | Governmental Activities | Business-Type Activities | Fiduciary Funds | Total Primary Government |
|---|---|---|---|---|
| Cash & Cash Equivalents | $ 971,929 | $ 2,792,440 | $ 0 | $ 3,764,369 |
| Restricted Assets | 0 | 2,149,856 | 0 | 2,149,856 |
| Total | $ 971,929 | $ 4,942,296 | $ 0 | $ 5,914,225 |

All of the cash and equivalents have been placed in bank accounts at the financial institutions approved by the City Council.

## NOTE C – DEPOSITS AND INVESTMENTS (CONTINUED)

### INVESTMENTS

As of June 30, 2019, the City had the following investments:

| Investment Type | Fair Value | Weighted Average Maturity (Days) | S&P | Percent |
|---|---|---|---|---|
| External investment pool | $ 2,341,703 | 66 | AAAm | 100 |

The City voluntarily invests certain excess funds in an external investment pool (Pool). The Pool is an external investment pool of "qualified" investments for Michigan municipalities. The Pool is not regulated nor registered with the SEC. The fair value of the City's investments is the same as the value of the Pool shares. Due to the liquidity of the investment, the City classifies these as Cash in its financial statements.

*Interest Rate Risk*

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk*

State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk*

The City minimizes concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial Credit Risk – Deposits*

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2019, $5,664,225 of the City's cash balance of $5,914,225 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments*

The City minimizes custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the City's investment policy and by pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business. All of the City's investments are held in the name of the City.

## NOTE C – DEPOSITS AND INVESTMENTS (CONTINUED)

*Foreign Currency Risk*

The City is not authorized to invest in investments which have this type of risk.

## NOTE D—FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 — Inputs to the valuation methodology include the following:
- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019.

External investment pool: The assets are valued based upon the City's allocable share of the Michigan CLASS (Pool) pooled investment portfolio. The allocable share is based on the value of the underlying assets owned by the pool, minus its liabilities. The assets managed by others are valued monthly by the Pool and are allocated based upon each organization's calculated share of the Pool's pooled investment portfolio. Each entity with an interest within the pooled investments receives a statement from the Pool indicating the additions to the investment (via contributions), withdrawals from the investment, and the investment returns allocated via a unitization process. The

## NOTE D—FAIR VALUE MEASUREMENTS (CONTINUED)

City calculates the fair value of its share of the pooled investment assets held by the Pool based on the estimated fair value of the underlying assets. The Pool controls the investments and makes all management and investment decisions.

The City's investment was a membership in the Upper Peninsula Power Producers Agency, LLC (UPPPA). The City has invested $438,509 as of June 30, 2019 and expects to receive an ongoing return of 12% per annum. This investment is recorded and reported at its historical cost as no readily determinable fair market value is available.

The City's investments held in its Retiree Insurance Trust fall into Level 1 which are held in the City's name. The investments are various securities held to be used to pay future retiree health insurance obligations. The City is carrying the investment for $550,741 as of June 30, 2019, and expects to receive an ongoing return of 7% per annum.

## NOTE E - DUE TO/FROM OTHER FUNDS

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. Such transactions are generally reflected as transfers in the various funds' financial statements. At the end of the fiscal year, the following balances were being carried and are reflected in the financial statements.

| Due From | Due To | |
|---|---|---|
| Electric | General | $ 305,000 |

## NOTE E - NOTES RECEIVABLE

During a prior fiscal year, the City and Oak Crest Golf Commission entered into an agreement where the Golf Commission assumed all golf course operations from the City, including all financial obligations. In return, the Oak Crest Golf Commission is obligated to pay the City, beginning in July, 2016 and continuing through June, 2021, a monthly payment of $1,329.88. A final payment of $123,410.90 will be due to the City at the conclusion of the monthly payments.

During the current fiscal year, the City and Oak Crest Golf Commission entered into an agreement where the City financed improvements to the golf course property (see debt note below). The Golf Commission has agreed to service the debt in full by increasing its monthly lease payment by $1,007.80 for the next ten years.

## NOTE G - CHANGES IN CAPITAL ASSETS

Capital asset activity for the City for the year ended June 30, 2019 was as follows:

| | Beginning | Additions | Disposals | Ending |
|---|---|---|---|---|
| Governmental Funds | | | | |
| Assets not depreciated | | | | |
| Land | $ 4,166,466 | $ 0 | $ 0 | $ 4,166,466 |
| Assets being depreciated | | | | |
| Buildings | 3,901,910 | 0 | 0 | 3,901,910 |
| Infrastructure | 14,335,635 | 85,706 | 0 | 14,421,341 |
| Equipment | 3,054,371 | 20,254 | 41,386 | 3,033,239 |
| Total at Historic Cost | $ 25,458,382 | $ 105,960 | $ 41,386 | $ 25,522,956 |
| Less accumulated depreciation for: | | | | |
| Buildings | $ 2,016,775 | $ 112,171 | $ 0 | $ 2,128,946 |
| Infrastructure | 10,985,223 | 215,322 | 0 | 11,200,545 |
| Equipment | 1,979,104 | 149,863 | 41,386 | 2,087,581 |
| Total accumulated depreciation | $ 14,981,102 | $ 477,356 | $ 41,386 | $ 15,417,072 |
| Governmental Funds-Capital Assets | $ 10,477,280 | $ (371,396) | $ 0 | $ 10,105,884 |

| | Beginning | Additions | Disposals | Ending |
|---|---|---|---|---|
| Business Type Funds | | | | |
| Assets not depreciated | | | | |
| Land | $ 55,578 | $ 0 | $ 0 | $ 55,578 |
| Assets being depreciated | | | | |
| Communications Systems | $ 1,491,579 | $ 6,577 | $ 0 | $ 1,498,156 |
| Electric Utility System | 22,193,016 | 1,857,242 | 0 | 24,050,258 |
| Water Utility System | 9,226,181 | 43,037 | 0 | 9,269,218 |
| Sewer Utility System | 10,723,455 | 204,899 | 0 | 10,928,354 |
| Total at Historic Cost | $ 43,689,809 | $ 2,111,755 | $ 0 | $ 45,801,564 |
| Less accumulated depreciation for: | | | | |
| Communications Systems | $ 833,429 | $ 71,618 | $ 0 | $ 905,047 |
| Electric Utility System | 10,769,922 | 669,582 | 0 | 11,439,504 |
| Water Utility System | 3,279,874 | 232,768 | 0 | 3,512,642 |
| Sewer Utility System | 1,775,749 | 219,147 | 0 | 1,994,896 |
| Total accumulated depreciation | $ 16,658,974 | $ 1,193,115 | $ 0 | $ 17,852,089 |
| Business Type Funds-Capital Assets | $ 27,030,835 | $ 918,640 | $ 0 | $ 27,949,475 |

## NOTE G - CHANGES IN CAPITAL ASSETS (CONTINUED)

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

| | |
|---|---|
| Governmental Activities | |
| General Government | $ 75,945 |
| Public Safety | 72,825 |
| Public Works | 262,424 |
| Parks and Recreation | 66,162 |
| Total Governmental Activities | $ 477,356 |
| Business-Type Activities | |
| Communications System | $ 71,618 |
| Electric Utility System | 669,582 |
| Water Utility System | 232,768 |
| Sewer Utility System | 219,147 |
| Total Business-Type Activities | $ 1,193,115 |

## NOTE H - GENERAL LONG TERM DEBT

### 2012 DOWNTOWN DEVELOPMENT AUTHORITY BONDS

The Downtown Development Authority refunded its 2001 and 2005 Downtown Development Authority bond issues during the 2012-2013 fiscal year. Payment of the bonds begin in 2013-2014 year and run to 2024, with interest rates varying from 2.0% to 3.5%.

The cumulative debt service schedule is below:

| Payable | December 1 | | June 1 | |
|---|---|---|---|---|
| Fiscal Year | Interest | Principal | Interest | Total |
| 2019-2020 | $ 12,639 | $ 150,000 | $ 10,426 | $ 173,065 |
| 2020-2021 | 10,426 | 160,000 | 7,987 | 178,413 |
| 2021-2022 | 7,986 | 160,000 | 5,386 | 173,372 |
| 2022-2023 | 5,386 | 155,000 | 2,712 | 163,098 |
| 2023-2024 | 2,713 | 155,000 | 0 | 157,713 |
| TOTALS | $ 39,150 | $ 780,000 | $ 26,511 | $ 845,661 |

## NOTE H - GENERAL LONG TERM DEBT (CONTINUED)

### CITY HALL BONDS

The City issued $995,000 of general obligation limited tax bonds on June 1, 2001 for the demolition, equipping and replacement of the City Hall. Payment of the bonds begin in 2002 and run to 2021, with interest rates varying from 4.5% to 5.2%.

The cumulative debt service schedule is below:

| Payable | June 1 | | December 1 | |
|---|---|---|---|---|
| Fiscal Year | Interest | Principal | Interest | Total |
| 2019-2020 | $ 4,290 | $ 80,000 | $ 4,290 | $ 88,580 |
| 2020-2021 | 2,210 | 85,000 | 2,210 | 89,420 |
| TOTALS | $ 6,500 | $ 165,000 | $ 6,500 | $ 178,000 |

### FIRE HALL BONDS

The Norway Building Authority issued $680,000 of bonds which were sold entirely to the Rural Development on May 17, 2001. The proceeds were used to construct a replacement fire hall to service the City of Norway and carry an interest rate of 4.75%.

Bonds are subject to redemption prior to maturity, in inverse numerical order, at the option of the City on any interest payment date at par and accrued interest to the date fixed for redemption.

The cumulative debt service schedule is below:

| Payable | December 1 | | June 1 | |
|---|---|---|---|---|
| Fiscal Year | Interest | Principal | Interest | Total |
| 2019-2020 | $ 7,600 | $ 33,000 | $ 6,816 | $ 47,416 |
| 2020-2021 | 6,816 | 35,000 | 5,985 | 47,801 |
| 2021-2022 | 5,985 | 37,000 | 5,107 | 48,092 |
| 2022-2023 | 5,106 | 39,000 | 4,180 | 48,286 |
| 2023-2024 | 4,180 | 40,000 | 3,230 | 47,410 |
| 2024-2027 | 6,579 | 136,000 | 3,348 | 145,927 |
| TOTALS | $ 36,266 | $ 320,000 | $ 28,666 | $ 384,932 |

## NOTE H - GENERAL LONG TERM DEBT (CONTINUED)

### 2006 STREET IMPROVEMENT BOND

The City issued $995,000 of general obligation unlimited tax bonds on June 1, 2006 to construct, repair and improve its streets. Payment of the bonds begin in 2006 and run to 2021, with interest rates varying from 3.8% to 4.8%.

The cumulative debt service schedule is below:

| Payable | June 1 | | December 1 | |
|---|---|---|---|---|
| Fiscal Year | Interest | Principal | Interest | Total |
| 2019-2020 | $ 3,325 | $ 70,000 | $ 3,325 | $ 76,650 |
| 2020-2021 | 1,680 | 70,000 | 1,680 | 73,360 |
| TOTALS | $ 5,005 | $ 140,000 | $ 5,005 | $ 150,010 |

### FIRE TRUCK BOND

The City issued $215,000 of general obligation unlimited tax bonds during the 2006-2007 year for the acquisition of and equipping a new fire truck. The loan calls for semi-annual payments of interest at the rate of 4.375% per annum and annual payments on the principal balance.

The cumulative debt service schedule is below:

| Payable | October 1 | | April 1 | |
|---|---|---|---|---|
| Fiscal Year | Interest | Principal | Interest | Total |
| 2019-2020 | $ 1,258 | $ 17,500 | $ 875 | $ 19,633 |
| 2020-2021 | 875 | 20,000 | 437 | 21,312 |
| 2021-2022 | 437 | 20,000 | 0 | 20,437 |
| TOTALS | $ 2,570 | $ 57,500 | $ 1,312 | $ 61,382 |

## NOTE H - GENERAL LONG TERM DEBT (CONTINUED)

### INSTALLMENT PURCHASE CONTRACT

During the 2015-2016 year, the City entered into an agreement with Northern Interstate Bank to finance a newly acquired truck for use in Public Works. The agreement calls for quarterly payments of $5,081.11 including interest of 3.9% per annum

The joint cumulative debt service schedule is below:

| Payable Fiscal Year | Payments Interest | Payments Principal | Total |
|---|---|---|---|
| 2019-2020 | $ 5,463 | $ 14,861 | $ 20,324 |
| 2020-2021 | 4,805 | 15,519 | 20,324 |
| 2021-2022 | 4,182 | 16,143 | 20,325 |
| 2022-2023 | 3,534 | 16,790 | 20,324 |
| 2023-2024 | 2,868 | 17,457 | 20,325 |
| 2024-2028 | 4,310 | 61,360 | 65,670 |
| TOTALS | $ 25,162 | $ 142,130 | $ 167,292 |

### INSTALLMENT PURCHASE CONTRACT

During the 2018-2019 year, the City entered into an agreement with Northern Interstate Bank to finance a improvements to the irrigation system at Oak Crest Golf Course. The agreement calls for monthly payments of $1,007.80 including interest of 4.0% per annum. The Golf Commission will make the monthly payments on the debt pursuant to an agreement between the Golf Commission and the City.

The joint cumulative debt service schedule is below:

| Payable Fiscal Year | Payments Interest | Payments Principal | Total |
|---|---|---|---|
| 2018-2019 | $ 3,829 | $ 8,265 | $ 12,094 |
| 2019-2020 | 3,477 | 8,616 | 12,093 |
| 2020-2021 | 3,121 | 8,973 | 12,094 |
| 2021-2022 | 2,751 | 9,342 | 12,093 |
| 2022-2023 | 2,371 | 9,723 | 12,094 |
| 2023-2028 | 5,456 | 52,996 | 58,452 |
| TOTALS | $ 21,005 | $ 97,915 | $ 118,920 |

## NOTE H - GENERAL LONG TERM DEBT (CONTINUED)

### Summary of General Long Term Debt

| | Beginning | New Debt | Payments | Ending | Current Part |
|---|---|---|---|---|---|
| 2012 DDA Bond | $ 935,000 | $ 0 | $ 155,000 | $ 780,000 | $ 150,000 |
| City Hall Bond | 240,000 | 0 | 75,000 | 165,000 | 80,000 |
| Fire Hall Bond | 351,000 | 0 | 31,000 | 320,000 | 33,000 |
| Street Improve Bond | 210,000 | 0 | 70,000 | 140,000 | 70,000 |
| Fire Truck Bond | 75,000 | 0 | 17,500 | 57,500 | 17,500 |
| Install Purch-Truck | 156,696 | 0 | 14,566 | 142,130 | 14,861 |
| Install Purch-Golf | 99,261 | 0 | 2,016 | 97,245 | 12,094 |
| TOTALS | $ 2,066,957 | $ 0 | $ 365,082 | $ 1,701,875 | $ 377,455 |

### 2017 COMMUNICATIONS REVENUE BONDS

The City issued $1,065,000 of limited revenue bonds in November, 2017, for the leveling of the increasing cash flow required by the 2009 Communications Revenue Bonds. The bonds are not a general obligation of the City, but are payable solely from the net revenues of the Communication Systems Fund. Payment of the bonds are due biennially on November 1 and May 1. The bonds carry interest at the varying rates from 2.75% to 3.00% and have an eighteen year term.

The cumulative debt service schedule is below:

| Payable | November 1 | | May 1 | |
|---|---|---|---|---|
| Fiscal Year | Interest | Principal | Interest | Total |
| 2019-2020 | $ 14,275 | $ 50,000 | $ 13,775 | $ 78,050 |
| 2020-2021 | 13,775 | 50,000 | 13,275 | 77,050 |
| 2021-2022 | 13,275 | 60,000 | 12,525 | 85,800 |
| 2022-2023 | 12,525 | 60,000 | 11,775 | 84,300 |
| 2023-2024 | 11,775 | 60,000 | 11,025 | 82,800 |
| 2024-2029 | 45,150 | 340,000 | 40,050 | 425,200 |
| 2029-2034 | 18,150 | 395,000 | 12,225 | 425,375 |
| TOTALS | $ 128,925 | $ 1,015,000 | $ 114,650 | $ 1,258,575 |

## NOTE I - PROPRIETARY FUND LONG TERM DEBT (CONTINUED)

### 2018 ELECTRIC UTILITY SYSTEM REVENUE BONDS

The City issued $7,900,000 of limited revenue bonds on February 6, 2018 for the refinancing of the 2007 Revenue Bonds and updating of the power production capabilities of the Electric System. The bonds are not a general obligation of the City, but are payable solely from the net revenues of the Electric Utility Fund. Payment of the bonds are due biennially on December 1 and June 1. The bonds carry interest at the rate of 4.00% and have a twenty year term.

The cumulative debt service schedule is below:

| Payable | December 1 | | June 1 | |
|---|---|---|---|---|
| Fiscal Year | Interest | Principal | Interest | Total |
| 2019-2020 | $ 153,700 | $ 220,000 | $ 149,300 | $ 523,000 |
| 2020-2021 | 149,300 | 235,000 | 144,600 | 528,900 |
| 2021-2022 | 144,600 | 245,000 | 139,700 | 529,300 |
| 2023-2023 | 139,700 | 255,000 | 134,600 | 529,300 |
| 2023-2024 | 134,600 | 335,000 | 127,900 | 597,500 |
| 2024-2029 | 567,100 | 1,885,000 | 529,400 | 2,981,500 |
| 2029-2034 | 362,600 | 2,305,000 | 316,500 | 2,984,100 |
| 2034-2038 | 112,400 | 2,205,000 | 68,300 | 2,385,700 |
| TOTALS | $ 1,764,000 | $ 7,685,000 | $ 1,610,300 | $ 11,059,300 |

### 2008 CLEAN RENEWABLE ENERGY BONDS (CREB)

The City issued $1,000,000 of Clean Renewable Energy limited revenue bonds on August 14, 2008, for the updating of the power production at its hydroelectric facility. The bonds are not a general obligation of the City, but are payable solely from the net revenues of the Electric Utility Fund. Payment of the bonds are due biennially on December 15 and June 15. The bonds carry interest at the rate of 1.82% and have a fifteen year term.

The cumulative debt service schedule is below:

| Payable | November 1 | | May 1 | |
|---|---|---|---|---|
| Fiscal Year | Interest | Principal | Interest | Total |
| 2019-2020 | $ 2,427 | $ 66,666 | $ 1,820 | $ 70,913 |
| 2020-2021 | 1,820 | 66,667 | 1,213 | 69,700 |
| 2021-2022 | 1,213 | 66,667 | 607 | 68,487 |
| 2022-2023 | 607 | 66,667 | 0 | 67,274 |
| TOTALS | $ 6,067 | $ 266,667 | $ 3,640 | $ 276,374 |

## NOTE I - PROPRIETARY FUND LONG TERM DEBT (CONTINUED)

### 2011 STREET LIGHT UPGRADE LOAN

On February 6, 2012, the City borrowed $ 57,801 for its wholesale power supplier for the purpose of upgrading the existing street lights from Sodium Vapor to LED for a period of 10 years. The savings in power consumption, which is received by the City's General Fund, is expected to substantially outpace the monthly payments of $481.68. The loan bears an interest rate of zero. The loan is being serviced with transfers from the General Fund to the Electric Fund.

The cumulative debt service schedule is below:

| Payable Fiscal Year | Principal |
|---|---|
| 2019-2020 | $ 5,780 |
| 2020-2021 | 5,780 |
| 2021-2022 | 3,371 |
| TOTALS | $ 14,931 |

### 1999 WATER UTILITY SYSTEM REVENUE BONDS

In 1999, the City authorized issuance of revenue bonds in the amount of $3,172,000 for the purpose of making improvements, repairs and replacement to the City's water supply system. The bonds are not a general obligation of the City, but are payable solely from the net revenues of the Water Utility Fund and the entire amount was purchased by Rural Development, an agency of the United States Government. A statutory first lien has been created on the revenues of the system for the payment of said bonds and the interest thereon.

The cumulative debt service schedule is below:

| Payable | November 1 | | May 1 | |
|---|---|---|---|---|
| Fiscal Year | Interest | Principal | Interest | Total |
| 2019-2020 | $ 47,160 | $ 78,000 | $ 45,405 | $ 170,565 |
| 2020-2021 | 45,405 | 82,000 | 43,560 | 170,965 |
| 2021-2022 | 43,560 | 85,000 | 41,648 | 170,208 |
| 2022-2023 | 41,647 | 89,000 | 39,644 | 170,291 |
| 2023-2024 | 39,645 | 93,000 | 37,553 | 170,198 |
| 2024-2029 | 164,880 | 532,000 | 152,910 | 849,790 |
| 2029-2034 | 99,405 | 663,000 | 84,488 | 846,893 |
| 2034-2037 | 21,645 | 474,000 | 10,980 | 506,625 |
| TOTALS | $ 503,347 | $ 2,096,000 | $ 456,188 | $ 3,055,535 |

## NOTE I - PROPRIETARY FUND LONG TERM DEBT (CONTINUED)

### 2016 WATER UTILITY SYSTEM REVENUE BONDS - A

In 2016, the City issued revenue bonds in the amount of $2,807,000 for the construction of improvements, repairs and replacement to the City's water supply system. The bonds are not a general obligation of the City, but are payable solely from the net revenues of the Water Utility Fund. The USDA Rural Development purchased the issue with the City drawing an additional $171,000 during the current fiscal year. The project was substantially completed during the current fiscal year. A statutory lien has been created on the revenues of the system for the payment of said bonds and the interest thereon. This bond carries interest at the rate of 1.375% per annum throughout its life.

The cumulative debt service schedule is below:

| Payable | December 1 | | June 1 | |
|---|---|---|---|---|
| Fiscal Year | Interest | Principal | Interest | Total |
| 2019-2020 | $ 18,116 | $ 44,000 | $ 17,813 | $ 79,929 |
| 2020-2021 | 17,813 | 45,000 | 17,504 | 80,317 |
| 2021-2022 | 17,504 | 46,000 | 17,188 | 80,692 |
| 2022-2023 | 17,188 | 47,000 | 16,864 | 81,052 |
| 2023-2024 | 16,864 | 48,000 | 16,534 | 81,398 |
| 2024-2029 | 79,166 | 261,000 | 77,371 | 417,537 |
| 2029-2034 | 69,761 | 294,000 | 67,739 | 431,500 |
| 2034-2039 | 59,132 | 333,000 | 56,843 | 448,975 |
| 2039-2044 | 47,080 | 377,000 | 44,488 | 468,568 |
| 2044-2049 | 33,481 | 426,000 | 30,553 | 490,034 |
| 2049-2054 | 18,074 | 482,000 | 14,761 | 514,835 |
| 2054-2057 | 2,626 | 232,000 | 1,031 | 235,657 |
| TOTALS | $ 396,805 | $ 2,635,000 | $ 378,689 | $ 3,410,494 |

### 2016 WATER UTILITY SYSTEM REVENUE BONDS - B

In 2016, the City issued revenue bonds in the amount of $73,000 for the construction of improvements, repairs and replacement to the City's water supply system. The bonds are not a general obligation of the City, but are payable solely from the net revenues of the Water Utility Fund. The USDA Rural Development purchased the issue with the City drawing the entire $73,000 during the current fiscal year. A statutory lien has been created on the revenues of the system for the payment of said bonds and the interest thereon. This bond carries interest at the rate of 1.375% per annum throughout its life.

This obligation was satisfied in full during the current fiscal year.

## NOTE I - PROPRIETARY FUND LONG TERM DEBT (CONTINUED)

### 2014 SEWER SYSTEM IMPROVEMENT LOAN

On April 1, 2014, the City borrowed $ 89,942 from its wholesale power supplier for the purpose of upgrading the energy efficiency at the Sewer Treatment Plant for a period of 10 years. The savings in power consumption, which is received by the City's Sewer Fund, is expected to substantially outpace the monthly payments of $749.52. The loan bears an interest rate of zero. The loan is being serviced by the Sewer fund.

The cumulative debt service schedule is below:

| Payable Fiscal Year | Principal |
|---|---|
| 2019-2020 | $ 8,994 |
| 2020-2021 | 8,994 |
| 2021-2022 | 8,995 |
| 2022-2023 | 8,994 |
| 2023-2024 | 7,495 |
| TOTALS | $ 43,472 |

### 2016 SEWER UTILITY SYSTEM REVENUE BONDS - A

In 2016, the City issued revenue bonds in the amount of $5,144,000 for the construction of improvements, repairs and replacement to the City's sewer treatment plant. The bonds are not a general obligation of the City, but are payable solely from the net revenues of the Sewer Utility Fund. The USDA Rural Development purchased the issue with the City drawing an additional $337,000 during the current fiscal year. The project was substantially completed during the current fiscal year. A statutory lien has been created on the revenues of the system for the payment of said bonds and the interest thereon. This bond carries interest at the rate of 1.875% per annum throughout its life.

## NOTE I - PROPRIETARY FUND LONG TERM DEBT (CONTINUED)

### 2016 SEWER UTILITY SYSTEM REVENUE BONDS - A (CONTINUED)

The cumulative debt service schedule is below:

| Payable | December 1 | | June 1 | |
|---|---|---|---|---|
| Fiscal Year | Interest | Principal | Interest | Total |
| 2019-2020 | $ 46,781 | $ 80,000 | $ 46,031 | $ 172,812 |
| 2020-2021 | 46,031 | 82,000 | 45,263 | 173,294 |
| 2021-2022 | 45,263 | 84,000 | 44,475 | 173,738 |
| 2022-2023 | 44,475 | 86,000 | 43,669 | 174,144 |
| 2023-2024 | 43,669 | 88,000 | 42,844 | 174,513 |
| 2024-2029 | 205,491 | 477,000 | 201,019 | 883,510 |
| 2029-2034 | 181,988 | 539,000 | 176,934 | 897,922 |
| 2034-2039 | 155,438 | 610,000 | 149,719 | 915,157 |
| 2039-2044 | 125,381 | 690,000 | 119,913 | 935,294 |
| 2044-2049 | 92,369 | 781,000 | 84,047 | 957,416 |
| 2049-2054 | 52,556 | 884,000 | 44,269 | 980,825 |
| 2054-2057 | 10,837 | 553,000 | 5,316 | 569,153 |
| TOTALS | $ 1,050,279 | $ 4,954,000 | $ 1,003,499 | $ 7,007,778 |

### 2016 SEWER UTILITY SYSTEM REVENUE BONDS - B

In 2016, the City issued revenue bonds in the amount of $1,651,000 for the construction of improvements, repairs and replacement to the City's sewer utility system. The bonds are not a general obligation of the City, but are payable solely from the net revenues of the Sewer Utility Fund. The USDA Rural Development purchased the issue with the City. A statutory lien has been created on the revenues of the system for the payment of said bonds and the interest thereon. This bond carries interest at the rate of 1.875% per annum throughout its life.

## NOTE I - PROPRIETARY FUND LONG TERM DEBT (CONTINUED)

### 2016 SEWER UTILITY SYSTEM REVENUE BONDS - B (CONTINUED)

The cumulative debt service schedule is below:

| Payable | December 1 | | June 1 | |
|---|---|---|---|---|
| Fiscal Year | Interest | Principal | Interest | Total |
| 2019-2020 | $ 15,084 | $ 22,000 | $ 14,878 | $ 51,962 |
| 2020-2021 | 14,878 | 23,000 | 14,663 | 52,541 |
| 2021-2022 | 14,663 | 24,000 | 14,438 | 53,101 |
| 2022-2023 | 14,438 | 24,000 | 14,213 | 52,651 |
| 2023-2024 | 14,212 | 25,000 | 13,978 | 53,190 |
| 2024-2029 | 67,359 | 139,000 | 66,056 | 272,415 |
| 2029-2034 | 60,469 | 160,000 | 58,969 | 279,438 |
| 2034-2039 | 52,406 | 190,000 | 50,625 | 293,031 |
| 2039-2044 | 42,909 | 223,000 | 40,819 | 306,728 |
| 2044-2049 | 31,762 | 262,000 | 29,306 | 323,068 |
| 2049-2054 | 18,666 | 306,000 | 15,797 | 340,463 |
| 2054-2057 | 4,022 | 211,000 | 2,044 | 217,066 |
| TOTALS | $ 350,868 | $ 1,609,000 | $ 335,786 | $ 2,295,654 |

### 2016 SEWER UTILITY SYSTEM REVENUE BONDS - C

In 2016, the City issued revenue bonds in the amount of $272,000 for the construction of improvements, repairs and replacement to the City's sewer utility system. The bonds are not a general obligation of the City, but are payable solely from the net revenues of the Sewer Utility Fund. The USDA Rural Development purchased the issue with the City. A statutory lien has been created on the revenues of the system for the payment of said bonds and the interest thereon. This bond carries interest at the rate of 1.875% per annum throughout its life.

## NOTE I - PROPRIETARY FUND LONG TERM DEBT (CONTINUED)

### 2016 SEWER UTILITY SYSTEM REVENUE BONDS - C (CONTINUED)

The cumulative debt service schedule is below:

| Payable | December 1 | | June 1 | |
|---|---|---|---|---|
| Fiscal Year | Interest | Principal | Interest | Total |
| 2019-2020 | $ 2,456 | $ 5,000 | $ 2,409 | $ 9,865 |
| 2020-2021 | 2,409 | 5,000 | 2,363 | 9,772 |
| 2021-2022 | 2,363 | 5,000 | 2,316 | 9,679 |
| 2022-2023 | 2,316 | 5,000 | 2,269 | 9,585 |
| 2023-2024 | 2,269 | 5,000 | 2,222 | 9,491 |
| 2024-2029 | 10,631 | 27,000 | 10,378 | 48,009 |
| 2029-2034 | 9,281 | 30,000 | 9,000 | 48,281 |
| 2034-2039 | 7,847 | 33,000 | 7,537 | 48,384 |
| 2039-2044 | 6,234 | 35,000 | 5,906 | 47,140 |
| 2044-2049 | 4,500 | 40,000 | 4,125 | 48,625 |
| 2049-2054 | 2,569 | 44,000 | 2,156 | 48,725 |
| 2054-2057 | 534 | 28,000 | 272 | 28,806 |
| TOTALS | $ 53,409 | $ 262,000 | $ 50,953 | $ 366,362 |

### Summary of Proprietary Long Term Debt

| | Beginning | New Debt | Payments | Ending | Current Part |
|---|---|---|---|---|---|
| 2017 Commun | $ 1,065,000 | $ 0 | $ 50,000 | $ 1,015,000 | $ 50,000 |
| 2018 Electric Bond | 7,900,000 | 0 | 215,000 | 7,685,000 | 220,000 |
| 2008 CREB Bond | 333,333 | 0 | 66,666 | 266,667 | 66,667 |
| Electric Loan-WPPI | 20,711 | 0 | 5,780 | 14,931 | 5,780 |
| 1999 Water Bond | 2,171,000 | 0 | 75,000 | 2,096,000 | 78,000 |
| 2016A Water Bond | 2,594,000 | 171,000 | 130,000 | 2,635,000 | 44,000 |
| 2016B Water Bond | 72,000 | 0 | 72,000 | 0 | 0 |
| 2014 Sewer Loan | 52,466 | 0 | 8,994 | 43,472 | 8,994 |
| 2016A Sewer Bond | 4,695,000 | 337,000 | 78,000 | 4,954,000 | 80,000 |
| 2016B Sewer Bond | 1,630,000 | 0 | 21,000 | 1,609,000 | 22,000 |
| 2016C Sewer Bond | 267,000 | 0 | 5,000 | 262,000 | 5,000 |
| TOTALS | $ 20,800,510 | $ 508,000 | $ 727,440 | $ 20,581,070 | $ 580,441 |

## NOTE J - COMPENSATED ABSENCES

Pursuant to the requirements of the Governmental Accounting Standards Board Statement 16, the City accrues a liability for compensated absences which meet the following criteria:

1. The City's obligation related to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.

2. The obligation relates to rights that vest or accumulate.

3. Payment of compensation is probable.

4. The amount can be reasonably estimated.

In accordance with the above criteria, the City has calculated a liability for sick, personal and vacation leave which has been earned but not taken by City employees.

For governmental funds, a portion of the liability for the vacation, sick and personal leave absences are recorded in applicable funds as earned and that were subsequently liquidated with "expendable and available assets". The total accrued vacation, sick and personal leave earned but not taken as of June 30, 2019 is $191,387, $83,520 and $3,564 respectively. The total accrued sick leave that will be paid upon termination of employment to employees in accordance with bargaining unit contracts and City policies is $ 38,945 as of June 30, 2019. For proprietary funds, the liabilities are recorded in the applicable funds as accrued liabilities in accordance with FASB Statement 43.

Specifically, the various contracts and agreements covering the City's personnel allow for vesting and/or accumulation of sick and vacation pay as follows:

Sick Leave - The IBEW Supervisor Unit does not allow for any accumulation of current sick time. Sick hours were frozen in the past and those frozen hours are added to the current year sick balance with that total payable at retirement up to 240 hours.

The AFSCME Unit does not allow for any accumulation of current sick time. Sick hours were frozen in the past and those frozen hours are added to the current year balance with 35% of that total payable at retirement up to 84 hours.

The IBEW Electric Unit does not allow for any accumulation of current sick time. Sick hours were frozen in the past and 35% of those frozen hours payable at retirement.

The WPPA Unit (Police Unit) - Accumulation of sick time is allowed up to 240 hours with 35% of the balance payable at retirement.

Vacation Leave - The Police unit presently have unlimited accumulation of unused days with 100% vesting and a minimum of 80 hours must be taken annually.

## NOTE J - COMPENSATED ABSENCES (CONTINUED)

All other employees had their balances frozen at various dates with all vacation time earned after that frozen date must be taken in the year that it accrues.

Those amounts required to be accrued have been recorded in the various funds as follows:

| | Amount |
|---|---|
| Electric Utility | $ 16,784 |
| Water Utility | 41,846 |
| Sewer Utility | 19,352 |
| Communications Systems | 6,158 |

## NOTE K - TRANSFER TO/FROM OTHER FUNDS

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. Such transactions are generally reflected as transfers in the various funds' financial statements. A summary of balances of interfund transfers as of June 30, 2019 follows:

| Transfer To | Transfer From | Amount |
|---|---|---|
| Museum | General | $ 7,833 |
| Fire Protection | General | 114,596 |
| Debt Service | General | 114,085 |
| Capital Projects | General | 5,680 |
| Electric | General | 5,780 |
| Debt Service | Local Streets | 80,620 |
| Capital Projects | Downtown Development | 2,888 |
| Capital Projects | Electric | 2,600 |
| Debt Service | Fire Protection | 67,335 |
| Communications | Electric | 6,577 |
| Local Streets | Major Streets | 160,238 |

## NOTE L - DEFINED BENEFIT PENSION PLAN

### Plan Description

The City's defined-benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries covers all employees hired prior to October 1, 2015. The employer participates in the Municipal Employees Retirement System (MERS) of

## NOTE L - DEFINED BENEFIT PENSION PLAN (CONTINUED)

### Plan Description (Continued)

Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

### Benefits Provided

| | 2018 Valuation | 2017 Valuation |
|---|---|---|
| Benefit Multiplier | 2.5% Multiplier (80% max) | 2.5% Multiplier (80% max) |
| Normal Retirement Age | 60 | 60 |
| Vesting | 8 years | 8 years |
| Early Retirement (Unreduced) | 55/15 | 55/15 |
| Early Retirement (Reduced) | 50/25 | 50/25 |
| Final Average Compensation | 3 years | 3 years |
| COLA - Current and future retirees | 2.5% non-compound | 2.5% non-compound |
| Employee Contributions | 8% | 8% |
| DC Plan for New Hires | 10/1/15 | 10/1/15 |
| Act 88: | Yes (Adopted 3/18/68) | Yes (Adopted 3/18/68) |
| Plan closed to new hires (except Electric) | No | No |
| Plan closed to new hires - Electric | Yes | Yes |
| RS50% Percentage - Supervisors | 50% SLIF (15 days) | 50% SLIF (15 days) |

### Employees covered by benefit terms

At the December 31st valuation date, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 41 |
| Inactive employees entitled to but not yet receiving benefits | 3 |
| Active employees | 20 |
| Total Participants | 64 |

### Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. The plan is not closed to new employees (except electric) and has an annual employer contribution amount of $784,594.

## NOTE L - DEFINED BENEFIT PENSION PLAN (CONTINUED)

### Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2018, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

### Actuarial Assumptions

The total pension liability on the December 31, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:
Inflation: 2.5%
Salary Increases: 3.75% in the long-term
Investment rate of return: 7.75%, net of investment expense, including inflation
Retirement age: Varies depending on years of credited service
Mortality: 50% Female/50% Male RP-2014 Group Annuity Mortality Table

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013. The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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 for each major asset class are summarized in the following table:

| Asset Class Target | Allocation Long-Term Expected | Real Rate of Return |
|---|---|---|
| Global Equity | 55.5 % | 5.02% |
| Global Fixed Income | 18.5 % | 2.18 % |
| Real Assets | 13.5 % | 4.23% |
| Diversifying Strategies | 12.5 % | 6.56% |

### Discount rate

The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay 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.

## NOTE L - DEFINED BENEFIT PENSION PLAN (CONTINUED)

### Changes in Net Pension Liability

| Valuation Year December 31, 2018 | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
|---|---|---|---|
| Beginning balances | $ 20,436,531 | $ 9,010,885 | $ 11,425,646 |
| Service cost | 199,900 | | 199,900 |
| Interest on Total Pension Liability | 1,593,663 | | 1,593,663 |
| Changes in benefits | 0 | | 0 |
| Variance in expected and actual experience | (49,000) | | (49,000) |
| Changes in assumptions | 0 | | 0 |
| Employer contributions | | 794,595 | (794,595) |
| Employee contributions | | 103,914 | (103,914) |
| Net investment income | | (343,954) | 343,954 |
| Benefit payments including refunds, if any | (1,231,375) | (1,231,375) | 0 |
| Administrative expense | | (17,243) | 17,243 |
| Other changes | | | 0 |
| TOTALS | $ 20,949,719 | $ 8,316,822 | $ 12,632,897 |

### Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.00% as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.00%) or 1% higher (9.00%) than the current rate. MERS has determined that a decrease of 1% in the discount rate would benefit the plan by $2,305,930 and an increase of 1% in the discount rate would degrade the plan's financial position by $1,956,781.

## NOTE L - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2019 the employer recognized pension expense of $1,040,170. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

| Fiscal Year June 30, 2019 | | Deferred Outflows of Resources |
|---|---|---|
| Differences in experience | $ | (24,500) |
| Differences in assumptions | | 0 |
| Excess (deficit) investment returns | | 655,971 |
| Contributions subsequent to the measurement date | | 414,610 |
| TOTALS | $ | 1,046,081 |

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2019.

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

| Fiscal Year June 30, | | Deferred Outflows of Resources |
|---|---|---|
| 2020 | $ | 641,127 |
| 2021 | | 70,916 |
| 2022 | | 123,875 |
| 2023 | | 210,163 |
| TOTALS | $ | 1,046,081 |

## NOTE M - RETIREE INSURANCE TRUST (OPEB) FUND

### Plan Description

The City administers a single-employer defined benefit healthcare plan (the "Plan"). In addition to retirement benefits, the Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance funded on a discretionary basis. In accordance with City's policy and bargaining unit contracts, the City provides health care benefits to retirees in accordance with the pension

## NOTE M - RETIREE INSURANCE TRUST (OPEB) FUND (CONTINUED)

### Plan Description (Continued)

ordinance. The City provides benefits to the employees under a "hard cap" arrangement with the City paying costs up to the hard cap and the retirees being responsible for the balance of the cost up to the time the retiree becomes eligible for medicare coverage. As of June 30, 2019, the date of the last plan valuation, the Plan covered 36 members (27 active plan members and 9 retirees receiving benefits). The Plan is open to new participants. The city adopted a legal trust for the Plan which is included in the City's financial statements. The Plan does not issue a publicly available financial report.

### Funding Progress

The contribution requirements of Plan members and the City are established and may be amended by the City Council. The required contribution is based on the "alternative calculation" method allowed to small municipalities to cost effectively determine their financing requirements. For the year ended June 30, 2019, the City contributed $94,422, the amount determined as the annual required contribution to the Plan.

The City's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). 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 actuarial liabilities (or funding excess) over a period not to exceed fifteen years.

### Net OPEB Liability

The employer's Net OPEB Liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the Net OPEB Liability was determined by an annual actuarial valuation as of that date.

### Actuarial Assumptions

The total OPEB liability on the June 30, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.0%
Investment rate of return: 7.00%, net of investment expense, including inflation
Retirement age: Varies depending on years of service
Mortality: 50% Female/50% Male RP-2015 Group Annuity Mortality Table

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2014. The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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.

## NOTE M - RETIREE INSURANCE TRUST (OPEB) FUND (CONTINUED)

### Discount rate

The discount rate used to measure the total OPEB liability is 3.8%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

### Changes in Net OPEB Liability

| Valuation Year June 30, 2018 | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
|---|---|---|---|
| Beginning balances | $ 1,147,177 | $ 485,996 | $ 661,181 |
| Service cost | 56,571 | | 56,571 |
| Interest on Total OPEB Liability | 43,593 | | 43,593 |
| Variance in expected and actual experience | (32,386) | | (32,386) |
| Employer contributions | | 94,422 | (94,422) |
| Net investment income | | 22,160 | (22,160) |
| Benefit payments including refunds, if any | (49,530) | (49,530) | 0 |
| Administrative expense | | (2,307) | 2,307 |
| Other changes | 0 | 0 | 0 |
| TOTALS | $ 1,165,425 | $ 550,741 | $ 614,684 |

### Sensitivity of the Net OPEB Liability to changes in the discount rate

The following presents the Net OPEB Liability of the employer, calculated using the discount rate of 7.00% as well as what the employer's Net OPEB Liability would be using a discount rate that is 1 percentage point lower (2.8%) or 1% higher (4.8%) than the current rate. The alternative calculation has determined that a decrease of 1% in the discount rate would benefit the plan by $338,781 and an increase of 1% in the discount rate would degrade the plan's financial position by $235,682.

### Sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rate

The following presents the Net OPEB Liability of the employer, calculated using the healthcare cost trend rate of 4.00% as well as what the employer's Net OPEB Liability would be using a healthcare cost trend rate that is 1 percentage point lower (1.00%) or 1% higher (3.00%) than the current rate. The alternative calculation has determined that a decrease of 1% in the discount rate would benefit the plan by $243,496 and an increase of 1% in the discount rate would degrade the plan's financial position by $300,986.

### Expense Related to OPEB

For the year ended June 30, 2018 the employer recognized OPEB expense of $65,413.

## NOTE N - TAX ABATEMENTS

The City entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Developments Act, (known as the Industrial Facilities Exemptions or IFTs) PA 198 of 1974, as amended. The IFTs provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. Properties qualifying for IFT status are taxed at half the local property tax millage rate applicable to other real and personal property in the City for a term of one to twelve years as determined by the City.

For the year ended June 30, 2019, the City abated property taxes revenues totaling $10,286 under this program.

## NOTE O - NEW ACCOUNTING STANDARDS

No new accounting pronouncements were required to be adopted during the fiscal year.

## NOTE P - UPCOMING ACCOUNTING PRONOUNCEMENTS

**GASB Statement 84**

*Fiduciary Activities* was issued by the GASB in January 2017 and will be effective for the City's 2019-2020 fiscal year. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

## NOTE Q - RECLASSIFICATION

Certain reclassifications have been made in the 2018 comparative totals to conform to classifications used in 2019.

## NOTE R - RISK MANAGEMENT

The City of Norway 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 of Norway maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to prelude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

# REQUIRED

# SUPPLEMENTARY

# INFORMATION

CITY OF NORWAY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year ended June 30, 2019

| | ORIGINAL BUDGET | AMENDED BUDGET | ACTUAL | VARIANCE WITH AMENDED BUDGET |
|---|---|---|---|---|
| Beginning Fund Balance | $ 421,036 | $ 421,036 | $ 421,036 | $ 0 |
| Resources (Inflows) | | | | |
| Property taxes | 840,918 | 840,509 | 840,972 | 463 |
| Federal grants/loans | 0 | 0 | 0 | 0 |
| State shared revenues and grants | 306,729 | 316,386 | 315,645 | (741) |
| Fines and forfeitures | 9,000 | 9,000 | 7,250 | (1,750) |
| Charges for services | 231,100 | 236,240 | 234,187 | (2,053) |
| Interest and rentals | 245,958 | 345,781 | 354,067 | 8,286 |
| Sale of supplies/property | 6,000 | 222 | 223 | 1 |
| Administration fees | 1,079,917 | 1,087,078 | 1,088,575 | 1,497 |
| Contributions | 26,000 | 1,250 | 801 | (449) |
| Other | 10,000 | 10,000 | 9,946 | (54) |
| Bond proceeds | 0 | 0 | 99,261 | 99,261 |
| Transfer from other funds | 0 | 0 | 0 | 0 |
| AMOUNTS AVAILABLE FOR APPROPRIATION | $ 3,176,658 | $ 3,267,502 | $ 3,371,963 | $ 104,461 |
| Charges to Appropriations (Outflows) | | | | |
| General Government | | | | |
| Mayor/Council/Elections | $ 95,675 | $ 93,216 | $ 82,841 | $ 10,375 |
| Administration/Finance/Legal | 788,286 | 817,050 | 829,435 | (12,385) |
| Buildings and grounds | 84,033 | 75,261 | 73,593 | 1,668 |
| Public Safety | | | | |
| Police | 766,449 | 747,174 | 744,235 | 2,939 |
| Public Works | | | | |
| Maintenance | 440,172 | 467,483 | 459,261 | 8,222 |
| Refuse | 171,010 | 179,505 | 180,000 | (495) |
| Parks and Recreation | 154,909 | 166,218 | 256,879 | (90,661) |
| City band | 9,250 | 11,261 | 10,033 | 1,228 |
| Debt service | 0 | 0 | 2,016 | (2,016) |
| Capital Outlay | 61,100 | 16,879 | 16,879 | 0 |
| Transfers to other funds | 258,577 | 242,832 | 242,193 | 639 |
| TOTAL CHARGES TO APPROPRIATIONS | $ 2,829,461 | $ 2,816,879 | $ 2,897,365 | $ (80,486) |
| BUDGETARY FUND BALANCE--ENDING | $ 347,197 | $ 450,623 | $ 474,598 | $ 23,975 |

CITY OF NORWAY
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET FUND
Year ended June 30, 2019

| | ORIGINAL BUDGET | AMENDED BUDGET | ACTUAL | VARIANCE WITH AMENDED BUDGET |
|---|---|---|---|---|
| Beginning Fund Balance | $ 263,962 | $ 263,962 | $ 263,962 | $ 0 |
| Resources (Inflows) | | | | |
| State shared revenues and grants | | | | |
| Gas and weight tax | 270,000 | 290,000 | 320,476 | 30,476 |
| Snow funds | 10,000 | 13,244 | 13,245 | 1 |
| Trunkline maintenance | 6,350 | 21,180 | 22,437 | 1,257 |
| METRO act | 4,500 | 5,142 | 5,143 | 1 |
| Supplemental appropriations | 0 | 54,191 | 54,192 | 1 |
| Contribution from other governmental unit | 9,092 | 9,199 | 9,205 | 6 |
| Interest earned | 0 | 3,800 | 4,167 | 367 |
| Transfers from other funds | 0 | 0 | 0 | 0 |
| AMOUNTS AVAILABLE FOR APPROPRIATION | $ 563,904 | $ 660,718 | $ 692,827 | $ 32,109 |
| Charges to Appropriations (Outflows) | | | | |
| Construction | $ 150,000 | $ 0 | $ 0 | $ 0 |
| Route maintenance | 134,560 | 130,560 | 96,746 | 33,814 |
| Traffic services | 16,410 | 8,788 | 3,656 | 5,132 |
| Winter maintenance | 100,100 | 138,135 | 135,621 | 2,514 |
| Trunkline maintenance | 6,450 | 19,120 | 20,214 | (1,094) |
| Administration and recordkeeping | 0 | 0 | 0 | 0 |
| Transfers to other funds | 18,000 | 145,000 | 160,238 | (15,238) |
| TOTAL CHARGES TO APPROPRIATIONS | $ 425,520 | $ 441,603 | $ 416,475 | $ 25,128 |
| BUDGETARY FUND BALANCE--ENDING | $ 138,384 | $ 219,115 | $ 276,352 | $ 57,237 |

CITY OF NORWAY

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS - MERS

June 30, 2019

| | Valuation Year Ended December 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| TOTAL PENSION LIABILITY | | | | | | | | | | |
| Service costs | $ 199,900 | $ 204,530 | $ 201,449 | $ 214,324 | | | | | | |
| Interest | 1,593,663 | 1,544,745 | 1,549,496 | 1,471,908 | | | | | | |
| Changes in benefit terms | 0 | 0 | (1,132) | (2,776) | | | | | | |
| Difference between expected and actual experience | (49,000) | 82,644 | (609,587) | 64,003 | | | | | | |
| Changes in assumptions | 0 | 0 | 0 | 981,669 | | | | | | |
| Benefit payments | (1,231,375) | (1,204,873) | (1,197,424) | (1,193,165) | | | | | | |
| Employee refunds | 0 | 0 | 0 | 0 | | | | | | |
| Other | 0 | (1) | 0 | (1) | | | | | | |
| Net change in Total Pension Liability | $ 513,188 | $ 627,045 | $ (57,198) | $ 1,535,962 | | | | | | |
| Total Pension Liability - beginning | 20,436,531 | 19,809,486 | 19,866,684 | 18,330,722 | | | | | | |
| TOTAL PENSION LIABILITY - ENDING | $ 20,949,719 | $ 20,436,531 | $ 19,809,486 | $ 19,866,684 | | | | | | |
| PLAN FIDUCIARY NET POSITION | | | | | | | | | | |
| Contributions - employer | $ 794,595 | $ 689,868 | $ 700,641 | $ 738,133 | | | | | | |
| Contributions - employee | 103,914 | 103,351 | 99,849 | 90,790 | | | | | | |
| Net investment income | (343,954) | 1,082,832 | 879,556 | (121,655) | | | | | | |
| Benefit payments including employee refunds, if any | (1,231,375) | (1,204,873) | (1,197,424) | (1,193,165) | | | | | | |
| Administrative expense | (17,243) | (17,177) | (17,375) | (18,069) | | | | | | |
| Other | 0 | (1) | 0 | 0 | | | | | | |
| Net change in Plan Fiduciary Net Position | $ (694,063) | $ 654,000 | $ 465,247 | $ (503,966) | | | | | | |
| Plan Fiduciary Net Position - beginning | 9,010,885 | 8,356,885 | 7,891,638 | 8,395,604 | | | | | | |
| PLAN FIDUCIARY NET POSITION - ENDING | $ 8,316,822 | $ 9,010,885 | $ 8,356,885 | $ 7,891,638 | | | | | | |
| EMPLOYER NET PENSION LIABILITY | $ 12,632,897 | $ 11,425,646 | $ 11,452,601 | $ 11,975,046 | | | | | | |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 40% | 44% | 42% | 40% | | | | | | |
| Covered Employee Payroll | $ 1,267,357 | $ 1,298,647 | $ 1,293,766 | $ 1,402,849 | | | | | | |
| Employer Net Pension Liability as a percentage of Covered Employee payroll | 997% | 880% | 885% | 854% | | | | | | |

Notes to schedule:

Benefit changes (if any) can be found in the actuarial valuation section titled: "Benefit Provision History"

Changes in assumptions can be found in the actuarial valuation section titled: "Plan Provision, Actuarial Assumptions and Actuarial Funding Method; and also in the Appendix link of the actuarial valuation.

The dates are based on the measurement date which does not correspond to the fiscal year.

CITY OF NOWAY
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS - MERS
Year ended June 30, 2019

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Actuarial determined contributions | $ 794,595 | $ 689,868 | $ 687,116 | $ 716,638 | $ 633,721 | $ 585,427 | $ 555,006 | $ 501,005 | $ 502,471 | $ 478,375 |
| Contributions in relaton to the actuarially determined contributions | 794,595 | 689,868 | 700,640 | 738,133 | 654,607 | 607,522 | 575,177 | 513,063 | 502,471 | 478,375 |
| CONTRIBUTION DEFICIENCY (EXCESS) | $ 0 | $ 0 | $ (13,524) | $ (21,495) | $ (20,886) | $ (22,095) | $ (20,171) | $ (12,058) | $ 0 | $ 0 |
| Covered Employee Payroll | $ 1,267,357 | $ 1,298,647 | $ 1,293,766 | $ 1,402,849 | $ 1,383,928 | $ 1,337,583 | $ 1,585,392 | $ 1,629,871 | $ 1,599,698 | $ 1,618,826 |
| Contributions as a percentage of covered employee payroll | 63% | 53% | 53% | 51% | 46% | 44% | 35% | 31% | 31% | 30% |

Notes to schedule

| | |
|---|---|
| Actuarial cost method | Entry Age |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 24 years |
| Asset valuation method | 5 year smoothed |
| Inflation | 2.50% |
| Salary increase | 3.75%, including inflation |
| Investment rate of return | 7.75% |
| Retirement age | Varies depending on years of credited service |
| Mortality | 50% Female/50% Male RP-2014 Group Annuity Mortality Table |

Previous actuarial methods and assumptions:
A 10 year smoothed asset valuation was used in 2007 - 2014

Above dates are based on fiscal year, not necessarily the measurement date
Notes that these are employer contributions and do not include employee contributions, if any

CITY OF NORWAY
SCHEDULE OF CHANGES IN NET OPEB LIABLITY AND RELATED RATIOS
LAST TEN FISCAL YEARS (Amounts determined as of June 30 of each fiscal year

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| TOTAL OPEB LIABILITY | | | | | | | | | | |
| Service costs | $ 56,571 | $ 53,656 | | | | | | | | |
| Interest | 43,593 | 43,780 | | | | | | | | |
| Changes in benefit terms | 0 | 0 | | | | | | | | |
| Difference between expected and actual experience | (32,386) | 0 | | | | | | | | |
| Changes in assumptions | 0 | 0 | | | | | | | | |
| Benefit payments | (49,530) | (44,770) | | | | | | | | |
| Employee refunds | 0 | 0 | | | | | | | | |
| Other | 0 | 0 | | | | | | | | |
| Net change in Total Pension Liability | $ 18,248 | $ 52,666 | | | | | | | | |
| Total actuarial accrued liabilities - beginning | 1,147,177 | 1,094,511 | | | | | | | | |
| TOTAL ACTUARIAL ACCRUED LIABILITIES - ENDING | $ 1,165,425 | $ 1,147,177 | | | | | | | | |
| PLAN FIDUCIARY NET POSITION | | | | | | | | | | |
| Contributions - employer | $ 94,422 | $ 94,422 | | | | | | | | |
| Contributions - employee | 0 | 0 | | | | | | | | |
| Net investment income | 22,160 | 33,611 | | | | | | | | |
| Benefit payments including employee refunds, if any | (49,530) | (44,770) | | | | | | | | |
| Administrative expense | (2,307) | (2,066) | | | | | | | | |
| Other | 0 | 0 | | | | | | | | |
| Net change in Plan Fiduciary Net Position | $ 64,745 | $ 81,197 | | | | | | | | |
| Plan Fiduciary Net Position - beginning | 485,996 | 404,799 | | | | | | | | |
| PLAN FIDUCIARY NET POSITION - ENDING | $ 550,741 | $ 485,996 | | | | | | | | |
| EMPLOYER NET OPEB LIABILITY | $ 614,684 | $ 661,181 | | | | | | | | |
| Plan Fiduciary Net Position as a percentage of the Total OPEB Liability | 47% | 42% | | | | | | | | |
| Covered Employee Payroll | $ 1,870,393 | $ 1,767,798 | | | | | | | | |
| Employer Net OPEB Liability as a percentage of Covered Employee payroll | 33% | 37% | | | | | | | | |
| Actuarial determined contribution | $ 94,422 | $ 94,422 | | | | | | | | |
| Contributions in relation actuarially determined contributions | 94,422 | 94,422 | | | | | | | | |
| CONTRIBUTION DEFICIENCY (EXCESS) | $ 0 | $ 0 | | | | | | | | |
| Contributions as a percentage of covered payroll | 5.05% | 5.34% | | | | | | | | |

Notes to schedule:
Additional actuarial data is not available and will be provided in subsequent years.
Amounts determined using the Alternative Calculation.

# OTHER SUPPLEMENTARY INFORMATION

CITY OF NORWAY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2019

| | SPECIAL REVENUE | | | | | | |
|---|---|---|---|---|---|---|---|
| | LOCAL STREET FUND | DOWNTOWN DEVELOPMENT | FIRE PROTECTION | MUSEUM | DEBT SERVICE | CAPITAL PROJECT | TOTAL |
| ASSETS | | | | | | | |
| Cash and equivalents | $ 96,756 | $ 251,779 | $ 32,200 | $ 59,023 | $ 250 | $ 16,244 | $ 456,252 |
| Accounts receivable | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Due from other funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Due from other governmental units | 24,528 | 0 | 0 | 0 | 0 | 33,867 | 58,395 |
| Prepaid expenses | 0 | 0 | 50 | 0 | 0 | 0 | 50 |
| TOTAL ASSETS | $ 121,284 | $ 251,779 | $ 32,250 | $ 59,023 | $ 250 | $ 50,111 | $ 514,697 |
| LIABILITIES AND FUND EQUITY | | | | | | | |
| LIABILITIES | | | | | | | |
| Accounts payable | $ 540 | $ 2,771 | $ 435 | $ 234 | $ 250 | $ 35,858 | $ 40,088 |
| Salaries and wages payable | 478 | 0 | 7,966 | 131 | 0 | 0 | 8,575 |
| Payroll taxes payable | 36 | 0 | 609 | 10 | 0 | 0 | 655 |
| Due to other funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Due to other governments units | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL LIABILITIES | $ 1,054 | $ 2,771 | $ 9,010 | $ 375 | $ 250 | $ 35,858 | $ 49,318 |
| FUND EQUITY | | | | | | | |
| Fund balance: | | | | | | | |
| Nonspendable | $ 0 | $ 0 | $ 50 | $ 0 | $ 0 | $ 0 | $ 50 |
| Restricted | 120,230 | 249,008 | 7,713 | 0 | 0 | 0 | 376,951 |
| Committed | 0 | 0 | 11,197 | 58,648 | 0 | 11,433 | 81,278 |
| Unassigned | 0 | 0 | 4,280 | 0 | 0 | 2,820 | 7,100 |
| TOTAL FUND BALANCE | $ 120,230 | $ 249,008 | $ 23,240 | $ 58,648 | $ 0 | $ 14,253 | $ 465,379 |
| TOTAL LIABILITIES AND FUND EQUITY | $ 121,284 | $ 251,779 | $ 32,250 | $ 59,023 | $ 250 | $ 50,111 | $ 514,697 |

CITY OF NORWAY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year ended June 30, 2019

| | SPECIAL REVENUE | | | | | | |
|---|---|---|---|---|---|---|---|
| | LOCAL STREET FUND | DOWNTOWN DEVELOPMENT | FIRE PROTECTION | MUSEUM | DEBT SERVICE | CAPITAL PROJECTS | TOTAL |
| REVENUES | | | | | | | |
| Property taxes | $ 69,868 | $ 163,352 | $ 19,435 | $ 0 | $ 0 | $ 0 | $ 252,655 |
| State shared revenues | 162,178 | 87,491 | 1,108 | 0 | 0 | 64,784 | 315,561 |
| Charges for services | 0 | 0 | 68,232 | 0 | 0 | 0 | 68,232 |
| Interest | 697 | 1,499 | 44 | 678 | 0 | 0 | 2,918 |
| Local grants/contributions | 0 | 3,088 | 5,525 | 15,248 | 0 | 11,919 | 35,780 |
| Contribution from other governmental unit | 18,409 | 0 | 0 | 0 | 0 | 0 | 18,409 |
| Sale of supplies | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 11,134 | 6,916 | 0 | 0 | 18,050 |
| TOTAL REVENUES | $ 251,152 | $ 255,430 | $ 105,478 | $ 22,842 | $ 0 | $ 76,703 | $ 711,605 |
| EXPENDITURES | | | | | | | |
| General government | $ 0 | $ 58,562 | $ 0 | $ 0 | $ 0 | $ 16,103 | $ 74,665 |
| Public Safety | 0 | 0 | 143,811 | 0 | 0 | 0 | 143,811 |
| Public Works | 232,577 | 0 | 0 | 0 | 0 | 0 | 232,577 |
| Parks and recreation | 0 | 4,943 | 10,500 | 30,400 | 0 | 0 | 45,843 |
| Debt services | 0 | 182,770 | 0 | 0 | 256,259 | 0 | 439,029 |
| Capital outlay | 0 | 0 | 3,375 | 0 | 0 | 85,706 | 89,081 |
| TOTAL EXPENDITURES | $ 232,577 | $ 246,275 | $ 157,686 | $ 30,400 | $ 256,259 | $ 101,809 | $ 1,025,006 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | $ 18,575 | $ 9,155 | $ (52,208) | $ (7,558) | $ (256,259) | $ (25,106) | $ (313,401) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfer from other funds | $ 160,238 | $ 0 | $ 114,596 | $ 7,833 | $ 256,259 | $ 11,168 | $ 550,094 |
| Transfer to other funds | (80,620) | (2,888) | (67,335) | 0 | 0 | 0 | (150,843) |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES | $ 98,193 | $ 6,267 | $ (4,947) | $ 275 | $ 0 | $ (13,938) | $ 85,850 |
| Fund balance - beginning | 22,037 | 242,741 | 28,187 | 58,373 | 0 | 28,191 | 379,529 |
| FUND BALANCE - ENDING | $ 120,230 | $ 249,008 | $ 23,240 | $ 58,648 | $ 0 | $ 14,253 | $ 465,379 |

CITY OF NORWAY
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET FUND
Year ended June 30, 2019

| | ORIGINAL BUDGET | AMENDED BUDGET | ACTUAL | VARIANCE WITH AMENDED BUDGET |
|---|---|---|---|---|
| Beginning Fund Balance | $ 22,037 | $ 22,037 | $ 22,037 | $ 0 |
| Resources (Inflows) | | | | |
| Property taxes | 80,620 | 69,839 | 69,868 | 29 |
| State shared revenues and grants | | | | |
| Gas and weight tax | 125,000 | 135,000 | 140,973 | 5,973 |
| Snow funds | 2,000 | 2,882 | 2,883 | 1 |
| Local community stabilization | 0 | 0 | 0 | 0 |
| METRO Act | 9,000 | 10,285 | 10,286 | 1 |
| Personal property tax loss reimbursement | 0 | 4,735 | 8,036 | 3,301 |
| Contribution from other governmental unit | 18,185 | 18,400 | 18,409 | 9 |
| Interest earned | 0 | 700 | 697 | (3) |
| Transfers from other funds | 18,000 | 145,000 | 160,238 | 15,238 |
| AMOUNTS AVAILABLE FOR APPROPRIATION | $ 274,842 | $ 408,878 | $ 433,427 | $ 24,549 |
| Charges to Appropriations (Outflows) | | | | |
| Construction | $ 0 | $ 0 | $ 0 | $ 0 |
| Route maintenance | 108,495 | 108,495 | 112,508 | (4,013) |
| Traffic services | 4,335 | 4,335 | 2,399 | 1,936 |
| Winter maintenance | 58,965 | 118,926 | 117,670 | 1,256 |
| Administration | 0 | 0 | 0 | 0 |
| Transfers to other funds | 80,620 | 80,620 | 80,620 | 0 |
| TOTAL CHARGES TO APPROPRIATIONS | $ 252,415 | $ 312,376 | $ 313,197 | $ (821) |
| BUDGETARY FUND BALANCE--ENDING | $ 22,427 | $ 96,502 | $ 120,230 | $ 23,728 |

CITY OF NORWAY
BUDGETARY COMPARISON SCHEDULE
DOWNTOWN DEVELOPMENT AUTHORITY
Year ended June 30, 2019

| | ORIGINAL BUDGET | AMENDED BUDGET | ACTUAL | VARIANCE WITH AMENDED BUDGET |
|---|---|---|---|---|
| Beginning Fund Balance | $ 242,741 | $ 242,741 | $ 242,741 | $ 0 |
| Resources (Inflows) | | | | |
| Property taxes | 157,875 | 163,290 | 163,352 | 62 |
| State shared revenues and grants | 85,866 | 87,490 | 87,491 | 1 |
| Interest earned | 1,000 | 1,300 | 1,499 | 199 |
| Local donations/contributions | 0 | 3,088 | 3,088 | 0 |
| Transfers from other funds | 0 | 0 | 0 | 0 |
| AMOUNTS AVAILABLE FOR APPROPRIATION | $ 487,482 | $ 497,909 | $ 498,171 | $ 262 |
| Charges to Appropriations (Outflows) | | | | |
| Contracted services | $ 0 | $ 21,385 | $ 21,187 | $ 198 |
| Administrative fees | 12,100 | 32,593 | 32,593 | 0 |
| Supplies and other | 0 | 0 | 9,725 | (9,725) |
| Debt service | 182,570 | 182,770 | 182,770 | 0 |
| Capital outlay | 0 | 0 | 0 | 0 |
| Transfers to other funds | 32,593 | 2,888 | 2,888 | 0 |
| TOTAL CHARGES TO APPROPRIATIONS | $ 227,263 | $ 239,636 | $ 249,163 | $ (9,527) |
| BUDGETARY FUND BALANCE--ENDING | $ 260,219 | $ 258,273 | $ 249,008 | $ (9,265) |

CITY OF NORWAY
BUDGETARY COMPARISON SCHEDULE
FIRE PROTECTION FUND
Year ended June 30, 2019

| | ORIGINAL BUDGET | AMENDED BUDGET | ACTUAL | VARIANCE WITH AMENDED BUDGET |
|---|---|---|---|---|
| Beginning Fund Balance | $ 28,187 | $ 28,187 | $ 28,187 | $ 0 |
| Resources (Inflows) | | | | |
| Operations | | | | |
| Property taxes | 20,578 | 19,428 | 19,435 | 7 |
| State grant and revenue sharing | 0 | 573 | 1,108 | 535 |
| Charges for services-fire protection agreements | 68,231 | 68,232 | 68,232 | 0 |
| Contributions | 7,300 | 5,525 | 5,525 | 0 |
| Interest earned | 65 | 41 | 44 | 3 |
| Other | 0 | 0 | 100 | 100 |
| Transfers from other funds | 140,193 | 123,767 | 114,596 | (9,171) |
| Volunteer Firemen | | | | |
| Fund raising | 12,850 | 11,034 | 11,034 | 0 |
| AMOUNTS AVAILABLE FOR APPROPRIATION | $ 277,404 | $ 256,787 | $ 248,261 | $ (8,526) |
| Charges to Appropriations (Outflows) | | | | |
| Operations | | | | |
| Public Safety - Fire | $ 146,983 | $ 146,317 | $ 143,811 | $ 2,506 |
| Capital outlay | 23,600 | 8,000 | 3,375 | 4,625 |
| Transfers to other funds | 67,334 | 67,334 | 67,335 | (1) |
| Volunteer Firemen | | | | |
| Community development | 11,300 | 10,500 | 10,500 | 0 |
| TOTAL CHARGES TO APPROPRIATIONS | $ 249,217 | $ 232,151 | $ 225,021 | $ 7,130 |
| BUDGETARY FUND BALANCE--ENDING | $ 28,187 | $ 24,636 | $ 23,240 | $ (1,396) |

CITY OF NORWAY
BUDGETARY COMPARISON SCHEDULE
MUSEUM FUND
Year ended June 30, 2019

| | ORIGINAL BUDGET | AMENDED BUDGET | ACTUAL | VARIANCE WITH AMENDED BUDGET |
|---|---|---|---|---|
| Beginning Fund Balance | $ 58,373 | $ 58,373 | $ 58,373 | $ 0 |
| Resources (Inflows) | | | | |
| Memberships | 2,000 | 2,000 | 1,695 | (305) |
| Fund raising | 5,000 | 4,800 | 5,221 | 421 |
| Local grant | 1,000 | 1,580 | 1,580 | 0 |
| Contributions | 5,500 | 10,735 | 13,668 | 2,933 |
| Interest earned | 150 | 550 | 678 | 128 |
| Sale of supplies | 125 | 125 | 0 | (125) |
| Other | 0 | 0 | 0 | 0 |
| Transfers from other funds | 7,500 | 7,500 | 7,833 | 333 |
| AMOUNTS AVAILABLE FOR APPROPRIATION | $ 79,648 | $ 85,663 | $ 89,048 | $ 3,385 |
| Charges to Appropriations (Outflows) | | | | |
| Parks and recreation | $ 18,375 | $ 28,687 | $ 30,400 | $ (1,713) |
| Capital outlay | 0 | 0 | 0 | 0 |
| TOTAL CHARGES TO APPROPRIATIONS | $ 18,375 | $ 28,687 | $ 30,400 | $ (1,713) |
| BUDGETARY FUND BALANCE--ENDING | $ 61,273 | $ 56,976 | $ 58,648 | $ 1,672 |

CITY OF NORWAY
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
Year ended June 30, 2019

| | ORIGINAL BUDGET | AMENDED BUDGET | ACTUAL | VARIANCE WITH AMENDED BUDGET |
|---|---|---|---|---|
| Beginning Fund Balance | $ 0 | $ 0 | $ 0 | $ 0 |
| Resources (Inflows) | | | | |
| Contribution from component unit | 0 | 0 | 0 | 0 |
| Transfers from other funds | 256,059 | 256,059 | 256,259 | 200 |
| AMOUNTS AVAILABLE FOR APPROPRIATION | $ 256,059 | $ 256,059 | $ 256,259 | $ 200 |
| Charges to Appropriations (Outflows) | | | | |
| Debt service | $ 256,059 | $ 256,059 | $ 256,259 | $ (200) |
| Lease payments | 0 | 0 | 0 | 0 |
| TOTAL CHARGES TO APPROPRIATIONS | $ 256,059 | $ 256,059 | $ 256,259 | $ (200) |
| BUDGETARY FUND BALANCE--ENDING | $ 0 | $ 0 | $ 0 | $ 0 |

CITY OF NORWAY
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
Year ended June 30, 2019

| | ORIGINAL BUDGET | AMENDED BUDGET | ACTUAL | VARIANCE WITH AMENDED BUDGET |
|---|---|---|---|---|
| Beginning Fund Balance | $ 28,191 | $ 28,191 | $ 28,191 | $ 0 |
| Resources (Inflows) | | | | |
| State grants | 4,000 | 30,917 | 64,784 | 33,867 |
| Contributions | 8,000 | 16,807 | 11,919 | (4,888) |
| Sale of supplies/property | 0 | 0 | 0 | 0 |
| Transfers from other funds | 3,000 | 3,280 | 11,168 | 7,888 |
| AMOUNTS AVAILABLE FOR APPROPRIATION | $ 43,191 | $ 79,195 | $ 116,062 | $ 36,867 |
| Charges to Appropriations (Outflows) | | | | |
| Capital projects | $ 0 | $ 47,000 | $ 85,706 | $ (38,706) |
| Planning, administration and other | 12,400 | 21,104 | 16,103 | 5,001 |
| Recreation | 0 | 0 | 0 | 0 |
| Transfers to other funds | 0 | 0 | 0 | 0 |
| TOTAL CHARGES TO APPROPRIATIONS | $ 12,400 | $ 68,104 | $ 101,809 | $ (33,705) |
| BUDGETARY FUND BALANCE--ENDING | $ 30,791 | $ 11,091 | $ 14,253 | $ 3,162 |

CITY OF NORWAY
COMMUNICATIONS UTILITY FUND
STATEMENT OF NET POSITION
June 30, 2019 and 2018

| | | 2019 | | 2018 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current Assets: | | | | |
| Cash and equivalents | $ | 404,559 | $ | 342,399 |
| Accounts receivable | | 209,224 | | 154,293 |
| Inventory | | 22,121 | | 22,537 |
| Prepaid expenses | | 2,172 | | 2,819 |
| TOTAL CURRENT ASSETS | $ | 638,076 | $ | 522,048 |
| Restricted Assets: | | | | |
| Bond and interest redemption | $ | 38,096 | $ | 38,258 |
| Bond reserve | | 0 | | 0 |
| TOTAL RESTRICTED ASSETS | $ | 38,096 | $ | 38,258 |
| Property, Plant and Equipment: | | | | |
| System and equipment | $ | 1,498,156 | $ | 1,491,579 |
| Less accumulated depreciation | | (905,047) | | (833,429) |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | $ | 593,109 | $ | 658,150 |
| TOTAL ASSETS | $ | 1,269,281 | $ | 1,218,456 |
| **LIABILITIES** | | | | |
| Current Liabilities: | | | | |
| Accounts payable | $ | 88,366 | $ | 80,759 |
| Salaries and wages payable | | 1,937 | | 1,807 |
| Accrued taxes and withholdings | | 148 | | 138 |
| Accrued benefits | | 6,158 | | 7,424 |
| Accrued interest | | 4,758 | | 4,925 |
| Current portion of long term debt | | 50,000 | | 0 |
| TOTAL CURRENT LIABILITIES | $ | 151,367 | $ | 95,053 |
| Long Term Debt - Revenue bonds payable | | 965,000 | | 1,065,000 |
| TOTAL LIABILITIES | $ | 1,116,367 | $ | 1,160,053 |
| **DEFERRED INFLOW OF RESOURCES** | | | | |
| Bond premium | $ | 9,285 | $ | 9,904 |
| **NET POSITION** | | | | |
| Invested in capital | $ | 0 | $ | 0 |
| Restricted | | 38,096 | | 38,258 |
| Unrestricted | | 105,533 | | 10,240 |
| NET POSITION | $ | 143,629 | $ | 48,498 |

CITY OF NORWAY
COMMUNICATIONS UTILITY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2019 and 2018

| | | 2019 | | 2018 |
|---|---|---|---|---|
| OPERATING REVENUES | | | | |
| User charges | | | | |
| Television | $ | 921,084 | $ | 739,355 |
| Internet | | 731,190 | | 696,316 |
| Telephone | | 179,298 | | 191,793 |
| User penalties | | 19,045 | | 18,851 |
| Other charges | | 7,014 | | 11,132 |
| Package discounts | | (62,006) | | (63,693) |
| TOTAL OPERATING REVENUES | $ | 1,795,625 | $ | 1,593,754 |
| OPERATING EXPENSES | | | | |
| Transmission, distribution and maintenance | $ | 1,612,765 | $ | 1,620,354 |
| Depreciation | | 71,618 | | 72,067 |
| TOTAL OPERATING EXPENSES | $ | 1,684,383 | $ | 1,692,421 |
| OPERATING INCOME | $ | 111,242 | $ | (98,667) |
| NON-OPERATING GAINS (LOSSES) | | | | |
| Interest | $ | 5,575 | $ | 1,522 |
| Transfer from other fund | | 6,577 | | 219,957 |
| Loss on disposal of fixed assets | | 0 | | (1,752) |
| Bond interest payments | | (28,264) | | (37,619) |
| Bond issuance fees | | 0 | | (129,499) |
| Bond discount amortization | | 0 | | (19,187) |
| TOTAL NON-OPERATING GAINS (LOSSES) | $ | (16,112) | $ | 33,422 |
| NET INCOME | $ | 95,130 | $ | (65,245) |
| Net position - beginning | | 48,499 | | 113,743 |
| NET POSITION - ENDING | $ | 143,629 | $ | 48,498 |

CITY OF NORWAY
COMMUNICATIONS UTILITY FUND
STATEMENT OF CASH FLOWS
Year ended June 30, 2019 and 2018

| | | 2019 | | 2018 |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | $ | 1,740,694 | $ | 1,590,688 |
| Payments to suppliers | | (1,446,961) | | (1,419,443) |
| Payments to or on behalf of employees | | (158,260) | | (194,108) |
| TOTAL CASH FLOWS FROM OPERATING ACTIVITIES | $ | 135,473 | $ | (22,863) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | |
| Loans from other funds | $ | 0 | $ | 0 |
| Transfers from (to) other funds | | 6,577 | | 219,957 |
| TOTAL CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | $ | 6,577 | $ | 219,957 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Principal and interest paid on capital debt | $ | (79,050) | $ | (1,128,157) |
| Bond proceeds | | 0 | | 946,024 |
| Purchases of capital assets | | (6,577) | | (3,958) |
| Funding of restricted accounts | | 162 | | 104,922 |
| TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | $ | (85,465) | $ | (81,169) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest earned | $ | 5,575 | $ | 1,522 |
| NET INCREASE (DECREASE) IN CASH | $ | 62,160 | $ | 117,447 |
| Cash and equivalents - beginning | | 342,399 | | 224,952 |
| CASH AND EQUIVALENTS - ENDING | $ | 404,559 | $ | 342,399 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | |
| Operating income | $ | 111,242 | $ | (98,667) |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | | | | |
| Depreciation | | 71,618 | | 72,067 |
| Change in Assets and Liabilities | | | | |
| Receivables - net | | (54,931) | | (3,066) |
| Inventory | | 416 | | (3,269) |
| Prepaid expenses | | 647 | | 2,109 |
| Accounts payable | | 7,607 | | 10,185 |
| Accrued payroll expense | | 130 | | (1,039) |
| Accrued taxes and withholdings | | 10 | | (79) |
| Accrued benefits | | (1,266) | | (1,104) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | $ | 135,473 | $ | (22,863) |

CITY OF NORWAY
COMMUNICATIONS UTILITY FUND
SCHEDULE OF OPERATING EXPENSES
Year ended June 30, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| Transmission, Distribution & Maintenance: | | |
| Salaries and wages | $ 117,723 | $ 142,468 |
| Employee benefits | 39,411 | 49,418 |
| Supplies | 33,048 | 42,777 |
| Utilities purchased for resale | 1,167,185 | 1,124,678 |
| Contract services | 15,118 | 22,522 |
| Administrative fees | 204,094 | 196,649 |
| Repairs and maintenance | 670 | 2,446 |
| Rent/lease | 743 | 743 |
| Insurance | 2,769 | 3,782 |
| Utilities | 31,261 | 34,347 |
| Other | 743 | 524 |
| TOTAL TRANSMISSION, DISTRIBUTION AND MAINTENANCE | $ 1,612,765 | $ 1,620,354 |
| Depreciation | 71,618 | 72,067 |
| TOTAL OPERATING EXPENSES | $ 1,684,383 | $ 1,692,421 |

CITY OF NORWAY
ELECTRIC UTILITY FUND
STATEMENT OF NET POSITION
June 30, 2019 and 2018

| | | 2019 | | 2018 |
|---|---|---|---|---|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and equivalents | $ | 2,038,841 | $ | 2,492,502 |
| Accounts receivable | | 297,487 | | 320,079 |
| Due from other funds | | 305,000 | | 384,000 |
| Inventory | | 160,423 | | 175,162 |
| Prepaid expenses | | 7,995 | | 8,369 |
| TOTAL CURRENT ASSETS | $ | 2,809,746 | $ | 3,380,112 |
| Restricted Assets: | | | | |
| Bond interest and redemption | $ | 187,306 | $ | 0 |
| Bond reserve account | | 598,846 | | 676,707 |
| Construction | | 557,661 | | 1,424,889 |
| Security deposits | | 158,753 | | 152,723 |
| TOTAL RESTRICTED ASSETS | $ | 1,502,566 | $ | 2,254,319 |
| Property, Plant and Equipment: | | | | |
| Electric system | $ | 24,085,877 | $ | 22,228,634 |
| Less accumulated depreciation | | (11,439,504) | | (10,769,922) |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | $ | 12,646,373 | $ | 11,458,712 |
| TOTAL ASSETS | $ | 16,958,685 | $ | 17,093,143 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Bond discount | $ | 10,706 | $ | 13,383 |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts payable | $ | 88,608 | $ | 190,030 |
| Salaries and wages payable | | 9,306 | | 8,583 |
| Accrued taxes and withholdings | | 712 | | 655 |
| Accrued benefits | | 16,784 | | 11,498 |
| Sales tax payable | | 8,785 | | 9,671 |
| Customer deposits | | 158,753 | | 152,723 |
| Accrued interest | | 25,819 | | 26,585 |
| Current portion of long term debt | | 292,447 | | 287,447 |
| TOTAL CURRENT LIABILITIES | $ | 601,214 | $ | 687,192 |
| Long Term Debt - Revenue bonds payable | | 7,674,151 | | 7,966,598 |
| TOTAL LIABILITIES | $ | 8,275,365 | $ | 8,653,790 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Bond premium | $ | 540,721 | $ | 570,761 |
| NET POSITION | | | | |
| Invested in capital | $ | 4,679,775 | $ | 3,204,667 |
| Restricted | | 1,343,813 | | 2,101,596 |
| Unrestricted | | 2,129,717 | | 2,575,712 |
| TOTAL NET POSITION | $ | 8,153,305 | $ | 7,881,975 |

CITY OF NORWAY
ELECTRIC UTILITY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2019 and 2018

| | | 2019 | | 2018 |
|---|---|---|---|---|
| OPERATING REVENUES | | | | |
| User charges | $ | 3,890,862 | $ | 4,380,639 |
| User penalties | | 36,613 | | 34,208 |
| Other | | 1,122 | | 12,868 |
| TOTAL OPERATING REVENUES | $ | 3,928,597 | $ | 4,427,715 |
| OPERATING EXPENSES | | | | |
| Generation, distribution and maintenance | $ | 2,808,871 | $ | 2,557,833 |
| Depreciation | | 669,582 | | 634,647 |
| TOTAL OPERATING EXPENSES | $ | 3,478,453 | $ | 3,192,480 |
| OPERATING INCOME | $ | 450,144 | $ | 1,235,235 |
| NON-OPERATING GAINS (LOSSES) | | | | |
| Interest income | $ | 47,116 | $ | 22,891 |
| Bond interest payments | | (289,029) | | (334,796) |
| Bond discount amortization | | 0 | | (17,732) |
| Bond issuance costs | | 0 | | (101,928) |
| Gain (loss) on disposal of property | | 66,496 | | 10,470 |
| Transfer from other funds | | 5,780 | | 5,782 |
| Transfer to other funds | | (9,177) | | (219,957) |
| TOTAL NON-OPERATING GAINS (LOSSES) | $ | (178,814) | $ | (635,270) |
| NET INCOME | $ | 271,330 | $ | 599,965 |
| Net position - beginning | | 7,881,975 | | 7,282,010 |
| NET POSITION - ENDING | $ | 8,153,305 | $ | 7,881,975 |

CITY OF NORWAY
STATEMENT OF CASH FLOWS
ELECTRIC UTILITY FUND
Year ended June 30, 2019 and 2018

| | | 2019 | | 2018 |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | $ | 3,951,189 | $ | 4,456,109 |
| Payments to suppliers | | (2,030,903) | | (1,713,605) |
| Payments to or on behalf of employees | | (859,097) | | (793,519) |
| TOTAL CASH FLOWS FROM OPERATING ACTIVITIES | $ | 1,061,189 | $ | 1,948,985 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | |
| Transfer from (to) other funds | $ | (3,397) | $ | (214,175) |
| Loans repaid from (to) other funds | | 79,000 | | (242,000) |
| TOTAL CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | $ | 75,603 | $ | (456,175) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Principal and interest paid on capital debt | $ | (604,605) | $ | (6,413,425) |
| Bond proceeds | | 0 | | 8,381,141 |
| Purchases of capital assets | | (1,857,243) | | (1,267,991) |
| Proceeds from equipment sales | | 66,496 | | 24,500 |
| Funding of restricted accounts | | 757,783 | | (1,515,838) |
| TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | $ | (1,637,569) | $ | (791,613) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest earned | $ | 47,116 | $ | 22,891 |
| NET INCREASE (DECREASE) IN CASH | $ | (453,661) | $ | 724,088 |
| Cash and equivalents - beginning | | 2,492,502 | | 1,768,414 |
| CASH AND EQUIVALENTS - ENDING | $ | 2,038,841 | $ | 2,492,502 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | |
| Operating income | $ | 450,144 | $ | 1,235,235 |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | | | | |
| Depreciation | | 669,582 | | 634,647 |
| Change in Assets and Liabilities | | | | |
| Receivables - net | | 22,592 | | 28,394 |
| Inventory | | 14,739 | | (37,407) |
| Prepaid expenses | | 374 | | 679 |
| Accounts payable | | (101,422) | | 95,796 |
| Accrued payroll expense | | 723 | | 1,226 |
| Accrued taxes and withholdings | | 57 | | 94 |
| Accrued sales tax | | (886) | | (935) |
| Accrued benefits | | 5,286 | | (8,744) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | $ | 1,061,189 | $ | 1,948,985 |

CITY OF NORWAY
ELECTRIC UTILITY FUND
SCHEDULE OF OPERATING EXPENSES
Year ended June 30, 2019 and 2018

| | | 2019 | | 2018 |
|---|---|---|---|---|
| Generation, Distribution & Maintenance: | | | | |
| Salaries and wages | $ | 438,744 | $ | 406,917 |
| Employee benefits | | 421,133 | | 387,922 |
| Supplies | | 145,607 | | 22,979 |
| Utilities purchased for reale | | 536,429 | | 415,915 |
| Contract services | | 319,218 | | 399,463 |
| Administrative fees | | 544,250 | | 524,396 |
| Repairs and maintenance | | 253,540 | | 255,100 |
| Rent/lease | | 32,150 | | 25,836 |
| Insurance | | 81,865 | | 82,820 |
| Utilities | | 11,989 | | 10,262 |
| Other | | 23,946 | | 26,223 |
| TOTAL GENERATION, DISTRIBUTION AND MAINTENANCE | $ | 2,808,871 | $ | 2,557,833 |
| Depreciation | | 669,582 | | 634,647 |
| TOTAL OPERATING EXPENSES | $ | 3,478,453 | $ | 3,192,480 |

CITY OF NORWAY
WATER UTILITY FUND
STATEMENT OF NET POSITION
June 30, 2019 and 2018

| | | 2019 | | 2018 |
|---|---|---|---|---|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and equivalents | $ | 41,965 | $ | 6,296 |
| Accounts receivable | | 92,247 | | 97,461 |
| Inventory | | 51,767 | | 39,681 |
| Prepaid expenses | | 3,398 | | 4,648 |
| TOTAL CURRENT ASSETS | $ | 189,377 | $ | 148,086 |
| Restricted Assets: | | | | |
| Construction | $ | 0 | $ | 31,356 |
| Revenue bond and interest redemption | | 96,517 | | 95,200 |
| Bond reserves | | 201,614 | | 187,366 |
| System repair, replacement and improvements | | 45,893 | | 25,788 |
| TOTAL RESTRICTED ASSETS | $ | 344,024 | $ | 339,710 |
| Property, Plant and Equipment: | | | | |
| Water system | $ | 9,269,218 | $ | 9,226,181 |
| Less accumulated depreciation | | (3,512,642) | | (3,279,874) |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | $ | 5,756,576 | $ | 5,946,307 |
| TOTAL ASSETS | $ | 6,289,977 | $ | 6,434,103 |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts payable - trade | $ | 4,082 | $ | 5,660 |
| Salaries and wages payable | | 3,838 | | 3,166 |
| Accrued taxes and withholdings | | 286 | | 235 |
| Due to other funds | | 0 | | 60,000 |
| Accrued benefits | | 41,846 | | 41,106 |
| Accrued interest | | 18,839 | | 19,275 |
| Current portion of long term debt | | 122,000 | | 119,000 |
| TOTAL CURRENT LIABILITIES | $ | 190,891 | $ | 248,442 |
| Long Term Debt - Revenue bonds payable | | 4,609,000 | | 4,718,000 |
| TOTAL LIABILITIES | $ | 4,799,891 | $ | 4,966,442 |
| NET POSITION | | | | |
| Invested in Capital | $ | 1,025,576 | $ | 1,109,307 |
| Restricted | | 344,024 | | 339,710 |
| Unrestricted | | 120,486 | | 18,644 |
| NET POSITION | $ | 1,490,086 | $ | 1,467,661 |

CITY OF NORWAY
WATER UTILITY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2019 and 2018

| | | 2019 | | 2018 |
|---|---|---|---|---|
| OPERATING REVENUES | | | | |
| User charges | $ | 936,014 | $ | 936,711 |
| User penalties | | 10,827 | | 12,037 |
| Repayment of prior year operating expenses | | 0 | | 0 |
| Hydrant rentals | | 33,000 | | 33,000 |
| TOTAL OPERATING REVENUES | $ | 979,841 | $ | 981,748 |
| OPERATING EXPENSES | | | | |
| Transmission, distribution and maintenance | $ | 594,810 | $ | 576,538 |
| Depreciation | | 208,704 | | 190,224 |
| TOTAL OPERATING EXPENSES | $ | 803,514 | $ | 766,762 |
| OPERATING INCOME | $ | 176,327 | $ | 214,986 |
| NON-OPERATING GAINS (LOSSES) | | | | |
| Interest | $ | 2,230 | $ | 1,086 |
| Bond interest payments | | (132,067) | | (127,443) |
| Contributed capital amortization | | (24,065) | | (24,065) |
| Transfer from other funds | | 0 | | 0 |
| Transfer to other funds | | 0 | | 0 |
| TOTAL NON-OPERATING GAINS (LOSSES) | $ | (153,902) | $ | (150,422) |
| NET INCOME | $ | 22,425 | $ | 64,564 |
| Net position - beginning | | 1,467,661 | | 1,403,097 |
| NET POSITION - ENDING | $ | 1,490,086 | $ | 1,467,661 |

CITY OF NORWAY
STATEMENT OF CASH FLOWS
WATER UTILITY FUND
Year ended June 30, 2019 and 2018

| | | 2019 | | 2018 |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | $ | 985,055 | $ | 989,873 |
| Payments to suppliers | | (302,925) | | (265,929) |
| Payments to or on behalf of employees | | (302,837) | | (302,421) |
| TOTAL CASH FLOWS FROM OPERATING ACTIVITIES | $ | 379,293 | $ | 421,523 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | |
| Loans from (repaid to) other funds | $ | (60,000) | $ | (70,000) |
| Transfer from (to) other funds | | 0 | | 0 |
| TOTAL CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | $ | (60,000) | $ | (70,000) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Principal and interest paid on capital debt | $ | (238,503) | $ | (293,180) |
| Bond proceeds | | 0 | | 1,610,000 |
| Purchases of capital assets | | (43,037) | | (1,637,999) |
| Funding of restricted accounts | | (4,314) | | (33,848) |
| TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | $ | (285,854) | $ | (355,027) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest earned | $ | 2,230 | $ | 1,086 |
| NET INCREASE (DECREASE) IN CASH | $ | 35,669 | $ | (2,418) |
| Cash and equivalents - beginning | | 6,296 | | 8,714 |
| CASH AND EQUIVALENTS - ENDING | $ | 41,965 | $ | 6,296 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | |
| Operating income | $ | 176,327 | $ | 214,986 |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | | | | |
| Depreciation | | 208,704 | | 190,224 |
| Change in Assets and Liabilities | | | | |
| Receivables - net | | 5,214 | | 8,125 |
| Inventory | | (12,086) | | 2,746 |
| Prepaid expenses | | 1,250 | | 356 |
| Accounts payable | | (1,579) | | 3,786 |
| Accrued payroll expense | | 672 | | 512 |
| Accrued taxes and withholdings | | 51 | | 43 |
| Accrued benefits | | 740 | | 745 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | $ | 379,293 | $ | 421,523 |

CITY OF NORWAY
WATER UTILITY FUND
SCHEDULE OF OPERATING EXPENSES
Year ended June 30, 2019 and 2018

| | | 2019 | | 2018 |
|---|---|---|---|---|
| Transmission, Distribution & Maintenance: | | | | |
| Salaries and wages | $ | 152,462 | $ | 160,259 |
| Employee benefits | | 151,838 | | 143,462 |
| Supplies | | 12,326 | | 26,895 |
| Contract services | | 51,964 | | 16,188 |
| Administrative fees | | 147,401 | | 142,024 |
| Repairs and maintenance | | 4,841 | | 12,308 |
| Rent/lease | | 500 | | 6,500 |
| Insurance | | 12,981 | | 12,593 |
| Utilities | | 55,686 | | 54,720 |
| Other | | 4,811 | | 1,589 |
| TOTAL TRANSMISSION, DISTRIBUTION AND MAINTENANCE | $ | 594,810 | $ | 576,538 |
| Depreciation | | 208,704 | | 190,224 |
| TOTAL OPERATING EXPENSES | $ | 803,514 | $ | 766,762 |

CITY OF NORWAY
SEWER UTILITY FUND
STATEMENT OF NET POSITION
June 30, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and equivalents | $ 307,075 | $ 481,678 |
| Accounts receivable | 95,826 | 97,792 |
| Due from other governmental units | 30,688 | 18,439 |
| Inventory | 18,956 | 20,766 |
| Prepaid expenses | 2,954 | 2,748 |
| TOTAL CURRENT ASSETS | $ 455,499 | $ 621,423 |
| Restricted Assets: | | |
| Construction | $ 434 | $ 149 |
| Revenue bond and interest redemption | 72,171 | 52,058 |
| Bond reserves | 72,784 | 36,315 |
| System repairs, replacement and improvements | 119,781 | 59,838 |
| TOTAL RESTRICTED ASSETS | $ 265,170 | $ 148,360 |
| Property, Plant and Equipment: | | |
| Sewage plant, lines and vehicles | $ 10,948,313 | $ 10,743,415 |
| Less accumulated depreciation | (1,994,896) | (1,775,749) |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | $ 8,953,417 | $ 8,967,666 |
| TOTAL ASSETS | $ 9,674,086 | $ 9,737,449 |
| LIABILITIES AND FUND EQUITY | | |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts payable-trade | $ 76,837 | $ 33,934 |
| Accounts payable-construction | 0 | 216,624 |
| Salaries and wages payable | 3,447 | 3,270 |
| Accrued taxes and withholdings | 260 | 246 |
| Accrued interest payable | 10,720 | 10,883 |
| Accrued benefits | 19,350 | 20,586 |
| Current portion of long term debt | 115,994 | 112,994 |
| TOTAL CURRENT LIABILITIES | $ 226,608 | $ 398,537 |
| Long Term Debt | | |
| Installment purchase agreement | $ 34,478 | $ 43,472 |
| Revenue bonds payable | 6,718,000 | 6,488,000 |
| TOTAL LONG TERM DEBT | $ 6,752,478 | $ 6,531,472 |
| TOTAL LIABILITIES | $ 6,979,086 | $ 6,930,009 |
| NET POSITION | | |
| Invested in Capital | $ 2,087,945 | $ 2,323,200 |
| Restricted | 265,170 | 148,360 |
| Unrestricted | 341,885 | 335,880 |
| NET POSITION | $ 2,695,000 | $ 2,807,440 |

CITY OF NORWAY
SEWER UTILITY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| OPERATING REVENUES | | |
| User charges | $ 947,699 | $ 937,267 |
| User penalties | 14,340 | 13,331 |
| State grants | 137,348 | 55,356 |
| Other revenue | 0 | 1,806 |
| TOTAL OPERATING REVENUES | $ 1,099,387 | $ 1,007,760 |
| OPERATING EXPENSES | | |
| Transmission, distribution and maintenance | $ 906,395 | $ 759,183 |
| Depreciation | 186,722 | 141,818 |
| TOTAL OPERATING EXPENSES | $ 1,093,117 | $ 901,001 |
| OPERATING INCOME | $ 6,270 | $ 106,759 |
| NON-OPERATING GAINS (LOSSES) | | |
| Interest earned | $ 5,456 | $ 3,155 |
| Contributed capital amortization | (32,424) | (20,345) |
| Federal grant | 32,800 | 933,500 |
| Bond interest payments | (124,542) | (90,582) |
| Transfers from other funds | 0 | 0 |
| Transfers (to) other funds | 0 | 0 |
| TOTAL NON-OPERATING GAINS (LOSSES) | $ (118,710) | $ 825,728 |
| NET INCOME | $ (112,440) | $ 932,487 |
| Net Position - beginning | 2,807,440 | 1,874,953 |
| NET POSITION - ENDING | $ 2,695,000 | $ 2,807,440 |

CITY OF NORWAY
STATEMENT OF CASH FLOWS
SEWER UTILITY FUND
Year ended June 30, 2019 and 2018

| | | 2019 | | 2018 |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | $ | 939,507 | $ | 956,713 |
| State operating grants received | | 149,597 | | 64,695 |
| Payments to suppliers | | (504,130) | | (423,495) |
| Payments to or on behalf of employees | | (358,803) | | (317,861) |
| TOTAL CASH FLOWS FROM OPERATING ACTIVITIES | $ | 226,171 | $ | 280,052 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | |
| Transfer from (to) other funds | $ | 0 | $ | 0 |
| Loans received from (repaid to) other funds | | 0 | | 0 |
| TOTAL CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | $ | 0 | $ | 0 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Principal, interest and fees paid on capital debt | $ | (237,699) | $ | (201,736) |
| Bond proceeds | | 337,000 | | 4,585,000 |
| Federal grant proceeds | | 32,800 | | 933,500 |
| Purchases of capital assets | | (421,521) | | (5,525,045) |
| Funding of restricted accounts | | (116,810) | | (68,511) |
| TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | $ | (406,230) | $ | (276,792) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest earned | $ | 5,456 | $ | 3,155 |
| NET INCREASE (DECREASE) IN CASH | $ | (174,603) | $ | 6,415 |
| Cash and equivalents - beginning | | 481,678 | | 475,263 |
| CASH AND EQUIVALENTS - ENDING | $ | 307,075 | $ | 481,678 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | |
| Operating income (loss) | $ | 6,270 | $ | 106,759 |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | | | | |
| Depreciation | | 186,722 | | 141,818 |
| Change in Assets and Liabilities | | | | |
| Receivables - net | | 1,966 | | 22,987 |
| Dues from other governmental units | | (12,249) | | (9,339) |
| Inventory | | 1,810 | | 332 |
| Prepaid expenses | | (206) | | 1,341 |
| Accounts payable - trade | | 42,903 | | 18,421 |
| Accrued payroll expense | | 177 | | (606) |
| Accrued taxes and withholdings | | 14 | | (43) |
| Accrued benefits | | (1,236) | | (1,618) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | $ | 226,171 | $ | 280,052 |

CITY OF NORWAY
SEWER UTILITY FUND
SCHEDULE OF OPERATING EXPENSES
Year ended June 30, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| Transmission, Distribution & Maintenance: | | |
| Salaries and wages | $ 186,571 | $ 171,094 |
| Employee benefits | 171,187 | 144,500 |
| Supplies | 65,065 | 74,126 |
| Contract services | 157,509 | 75,159 |
| Administrative fees | 158,740 | 152,949 |
| Repairs and maintenance | 21,003 | 15,738 |
| Rent/lease | 0 | 99 |
| Insurance | 17,773 | 17,000 |
| Utilities | 125,340 | 105,617 |
| Other | 3,207 | 2,901 |
| TOTAL TRANSMISSION, DISTRIBUTION AND MAINTENANCE | $ 906,395 | $ 759,183 |
| Depreciation | 186,722 | 141,818 |
| TOTALS | $ 1,093,117 | $ 901,001 |

# CONTROL

# AND

# COMPLIANCE

# SECTION

CITY OF NORWAY
BOND ORDINANCE COMPLIANCE
30-Jun-19

ELECTRIC UTILITY FUND:
THE BOND ORDINANCES REQUIRE FUNDING OF THE FOLLOWING ACCOUNT:

| | BEGINNING BALANCE | TRANSFERS IN | INTEREST EARNED | EXPENDITURES | ENDING BALANCE | REQUIRED ENDING BALANCE |
|---|---|---|---|---|---|---|
| 2018 BOND RESERVE | 0.00 | 785,888.60 | 262.92 | 0.00 | 786,151.52 | 675,493.49 |
| | 0.00 | 785,888.60 | 262.92 | 0.00 | 786,151.52 | 675,493.49 |

WATER FUND:
THE BOND ORDINANCE REQUIRES FUNDING OF THE FOLLOWING ACCOUNTS:

| | BEGINNING BALANCE | TRANSFERS IN | INTEREST EARNED | EXPENDITURES | ENDING BALANCE | REQUIRED ENDING BALANCE |
|---|---|---|---|---|---|---|
| BOND INTEREST AND REDEMPTION-1998 | 66,440.68 | 143,494.67 | 72.15 | 171,007.50 | 39,000.00 | 39,000.00 |
| BOND INTEREST AND REDEMPTION-2016A | 28,089.99 | 195,413.89 | 53.37 | 166,039.79 | 57,517.46 | 22,000.00 |
| BOND INTEREST AND REDEMPTION-2016B | 669.41 | 71,786.29 | 0.00 | 72,455.70 | 0.00 | 0.00 |
| BOND RESERVE-1998 | 173,000.00 | 0.00 | 0.00 | 0.00 | 173,000.00 | 173,000.00 |
| BOND RESERVE-2016A | 14,005.66 | 14,576.42 | 31.55 | 0.00 | 28,613.63 | 25,200.00 |
| BOND RESERVE-2016B | 360.42 | 144.00 | 0.00 | 504.42 | 0.00 | 0.00 |
| REPAIR, REPLACE & IMPROVEMENT-2016A | 25,788.25 | 20,053.96 | 50.39 | 0.00 | 45,892.60 | 44,121.25 |
| | 308,354.41 | 445,469.23 | 207.46 | 410,007.41 | 344,023.69 | 303,321.25 |

JUNIOR BOND INTEREST AND REDEMPTION IS TO BE FUNDED QUARTERLY AT 1/2 OF THE NEXT INTEREST PAYMENT DUE AND 1/4 OF THE NEXT PRINCIPAL PAYMENT DUE
2016A BOND INTEREST AND REDEMPTION IS TO BE FUNDED QUARTERLY AT 1/2 OF THE NEXT INTEREST PAYMENT DUE AND 1/4 OF THE NEXT PRINCIPAL PAYMENT DUE
JUNIOR BOND RESERVE IS FULLY FUNDED AT $173,000
2016A BOND RESERVE DEPOSITS ARE $2,800 PER CALENDAR QUARTER UP TO $112,000
2016A REPAIRS, REPLACE AND IMPROVEMENT DEPOSITS ARE $7,383.25 LESS BOND RESERVE DEPOSITS PER CALENDAR QUARTER

SEWER FUND:
THE BOND ORDINANCE REQUIRES FUNDING OF THE FOLLOWING ACCOUNTS:

| | BEGINNING BALANCE | TRANSFERS IN | INTEREST EARNED | EXPENDITURES | ENDING BALANCE | REQUIRED ENDING BALANCE |
|---|---|---|---|---|---|---|
| BOND INTEREST AND REDEMPTION-2016A | 39,040.59 | 181,244.58 | 53.83 | 166,379.08 | 53,959.92 | 40,000.00 |
| BOND INTEREST AND REDEMPTION-2016B | 10,515.17 | 55,674.51 | 14.92 | 51,365.62 | 14,838.98 | 11,000.00 |
| BOND INTEREST AND REDEMPTION-2016C | 2,502.46 | 10,825.52 | 3.89 | 9,959.37 | 3,372.50 | 2,500.00 |
| BOND RESERVE-2016A | 25,674.82 | 25,753.50 | 56.43 | 0.00 | 51,484.75 | 46,197.00 |
| BOND RESERVE-2016B | 9,379.38 | 9,375.00 | 20.62 | 0.00 | 18,775.00 | 16,875.00 |
| BOND RESERVE-2016C | 1,261.03 | 1,260.00 | 2.77 | 0.00 | 2,523.80 | 2,268.00 |
| REPAIR, REPLACE & IMPROVEMENT | 59,837.57 | 59,812.50 | 131.31 | 0.00 | 119,781.38 | 107,662.50 |
| | 148,211.02 | 343,945.61 | 283.77 | 227,704.07 | 264,736.33 | 226,502.50 |

2016A BOND INTEREST AND REDEMPTION IS TO BE FUNDED QUARTERLY AT 1/2 OF THE NEXT INTEREST PAYMENT DUE AND 1/4 OF THE NEXT PRINCIPAL PAYMENT DUE
2016B BOND INTEREST AND REDEMPTION IS TO BE FUNDED QUARTERLY AT 1/2 OF THE NEXT INTEREST PAYMENT DUE AND 1/4 OF THE NEXT PRINCIPAL PAYMENT DUE
2016C BOND INTEREST AND REDEMPTION IS TO BE FUNDED QUARTERLY AT 1/2 OF THE NEXT INTEREST PAYMENT DUE AND 1/4 OF THE NEXT PRINCIPAL PAYMENT DUE
2016A BOND RESERVE DEPOSITS ARE $5,133 PER CALENDAR QUARTER UP TO $205,320
2016B BOND RESERVE DEPOSITS ARE $1,875 PER CALENDAR QUARTER UP TO $75,000
2016C BOND RESERVE DEPOSITS ARE $252 PER CALENDAR QUARTER UP TO $10,080
2016A REPAIRS, REPLACE AND IMPROVEMENT DEPOSITS ARE $17,095.50 LESS BOND RESERVE DEPOSITS PER CALENDAR QUARTER
2016B REPAIRS, REPLACE AND IMPROVEMENT DEPOSITS ARE $1,875 LESS BOND RESERVE DEPOSITS PER CALENDAR QUARTER
2016C REPAIRS, REPLACE AND IMPROVEMENT DEPOSITS ARE $252 LESS BOND RESERVE DEPOSITS PER CALENDAR QUARTER

SCOTT R. KENNEY

*Certified Public Accountant*

1374 Commercial Ave., Suite #1
Crystal Falls, Michigan 49920
(906) 875-4393 Fax: (906) 875-3879

# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor and City Council
City of Norway
915 Main Street
Norway, MI 49870

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norway, Michigan (City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated September 20, 2019.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit of the financial statements, I considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness but important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that were not identified.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

## PURPOSE OF THE REPORT

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Scott R Kennedy
Certified Public Accountant

September 20, 2019