

CITY OF NORWAY
AUDITED FINANCIAL STATEMENTS
NORWAY, MICHIGAN

Fiscal Year Ended June 30, 2014

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SCOTT R. KENNEY

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Norway, Michigan (City), as of and for the year ended June 30, 2014, which collectively comprise the City's basic financial statements as listed in the table of contents and the related notes to the financial statements.

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 the 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 did not audit the financial statements of Oak Crest Golf Club, Inc. (Golf Club), which represent 82 percent, 100 percent, and 94 percent, respectively, of the assets, net position, and revenues of the component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Golf Club, is based solely on the report of the other auditors. 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 of 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.

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Michigan Association of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norway, Michigan, as of June 30, 2014, 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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 57 through 58 and pages 62 through 67 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.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

In accordance with Government Auditing Standards, I have also issued my report letter dated September 16, 2014, 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 grants. 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 of Norway's internal control over financial reporting and compliance.


Certified Public Accountant

September 16, 2014

CITY OF NORWAY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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 decreased 3% from a year ago - decreasing from \$20.746 million to \$20.125 million. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced a decrease of approximately \$316 thousand during the year. This is primarily attributed to increased expenditures in the Major and Local Street Funds caused by the unusually harsh winter. The city also received less grant money revenues than in years past. The business-type activities experienced a \$305 thousand decrease in net assets. The City experienced higher expenditures in the water fund, wastewater fund, and golf fund. The expenditures in the water fund were caused by the severe winter and water line freezing issues. The wastewater fund saw higher than normal engineering fees in preparation for the upcoming Rural Development sewer project. The fund expected to be reimbursed when the Rural Development loan is closed. The loan closing is scheduled for the first half of 2015. The golf fund expenditures were normal, however revenues were lower than expected causing a deficit. 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	
	2014	2013	2014	2013	2014	2013
Current Assets	\$ 1,266	\$ 1,290	\$ 2,522	\$ 2,492	\$ 3,788	\$ 3,782
Noncurrent Assets	12,121	13,140	20,157	20,583	32,278	33,723
Total Assets	\$ 13,387	\$ 14,430	\$ 22,679	\$ 23,075	\$ 36,066	\$ 37,505
Deferred Outflows	\$ 0	\$ 0	\$ 60	\$ 0	\$ 60	\$ 0
Long Term Debt Outstanding	\$ 2,987	\$ 3,363	\$ 10,740	\$ 10,993	\$ 13,727	\$ 14,356
Other Liabilities	769	1,120	1,505	1,283	2,274	2,403
Total Liabilities	\$ 3,756	\$ 4,483	\$ 12,245	\$ 12,276	\$ 16,001	\$ 16,759
Net Position						
Invested in Capital	\$ 8,833	\$ 9,326	\$ 7,939	\$ 8,021	\$ 16,772	\$ 17,347
Restricted	58	73	1,217	1,210	1,275	1,283
Unrestricted	740	548	1,338	1,568	2,078	2,116
Total Net Position	\$ 9,631	\$ 9,947	\$ 10,494	\$ 10,799	\$ 20,125	\$ 20,746

Unrestricted Net Position - the part of net assets that can be used to finance day to day operations, decreased by \$37 thousand during the year. This is primarily attributed to the harsh winter condition experienced in the 2013-2014 year. Governmental Funds unrestricted net position increased by \$192 thousand. The current level of unrestricted net position for our governmental activities stands at \$740 thousand. The Business Type Funds unrestricted net position decreased by \$230 thousand.

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

	Governmental Funds		Business-Type Funds		Total	
	2014	2013	2014	2013	2014	2013
Program Revenues						
Charges for Services	\$ 306	\$ 315	\$ 7,303	\$ 7,324	\$ 7,609	\$ 7,639
Operating Grants/Contributions	424	357	76	0	500	357
Capital Grants/Contributions	8	292	0	0	8	292
General Revenues						
Property Taxes	\$ 1,199	\$ 1,179	\$ 0	\$ 0	\$ 1,199	\$ 1,179
State Shared Revenues	277	269	0	0	277	269
Unrestricted Investment Earnings	43	48	9	10	52	58
Fines and Forfeitures	10	9	0	0	10	9
Sale of Property	10	1	2	0	12	1
Transfers and Other Revenues	1,310	1,110	(342)	(100)	968	1,010
Total Revenues	\$ 3,587	\$ 3,580	\$ 7,048	\$ 7,234	\$ 10,635	\$ 10,814
Program Expenses						
General Government	\$ 956	\$ 1,063	\$ 0	\$ 0	\$ 956	\$ 1,063
Public Safety	812	819	0	0	812	819
Public Works	1,823	1,507	0	0	1,823	1,507
Recreation and Culture	168	180	0	0	168	180
Community Development	12	11	0	0	12	11
Interest on Long Term Debt	131	172	0	0	131	172
Oak Crest Golf Course	0	0	348	365	348	365
Public Utilities	0	0	7,005	6,857	7,005	6,857
Total Expenses	\$ 3,902	\$ 3,752	\$ 7,353	\$ 7,222	\$ 11,255	\$ 10,974
Change in Net Position	\$ (315)	\$ (172)	\$ (305)	\$ 12	\$ (620)	\$ (160)

The City's net position decreased during the year. This can be attributed to an increase in expenditures in the water fund and street funds caused by the severe winter. The wastewater fund also has increased engineering expenditures leading up to the wastewater treatment plant Rural Development project.

The City has continued to try and control its costs through limiting spending to necessary supplies and services while controlling capital outlays. Some new businesses have located in the City and construction continued at a steady pace this past year.

CITY OF NORWAY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Governmental Activities

The City's total governmental revenues increased by approximately \$7 thousand during the year. The increase is due primarily to increased transfers from other funds. The remaining revenue categories remained relatively static with slight increases in property tax receipts and decrease in grants and contributions.

Cash expenditures increased approximately \$150,000 during the year. This was primarily due to the increase spending in public works and inflationary cost increases being experienced as usual.

Business-Type Activities

The City's business-type activities consist of the Television, Electric, Golf, Water and Sewer Funds. The City provides cable television, internet and telephone services to residents through its cable television 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 Wisconsin Public Producers. The City owns and operates Oak Crest Golf Course in conjunction with Oak Crest Golf Club, Inc. The City provides water and sewer services to residents, which come from the City's own systems.

The Television fund which offers phone (VOIP), internet, and video services had a positive fiscal year mainly due to not having expenditures in upgrades to the system like the previous two years. The system will require some additional upgrades to equipment such as the CMTS and digital/HD video channels. Contracts will also need to be negotiated for some of our carriers and with Packerland Broadband.

The Electric fund continued with several upgrade 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. The city also has line extension projects scheduled for the next 5 to 10 years planning one major project per year.

The Golf course has experienced small but steady decreases in both open play and memberships over the past two years. As revenues decreased slightly over the past two years, the city has maintained expenditures at budget levels. The Course Superintendent continues to work 50% of his time in the parks and recreation areas and fewer seasonal workers resulted in lower operating costs for the Golf Fund. The Fund saw a small loss for the year but did generate a small amount of positive cash flow.

The Water and Sewer Fund revenues both increased slightly during the year. Expenses increased in the water fund due to work to thaw and repair water lines during the extremely harsh winter. Expenses in the sewer fund increased due to an increase in engineering in preparation of a major

CITY OF NORWAY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

project scheduled for 2015 and 2016. Both the Water Fund and Sewer Fund realized net losses during the year. Rates in both utility funds were increased for the next fiscal year and will again be examined during the forthcoming year and adjusted as necessary to generate both profits and positive cash flows and to account for project costs in both upcoming projects.

The City's Funds

Analysis of the City's major funds begins on page 15, following the entity-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 2013-2014 include the General Fund, Downtown Development Authority 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 and revenues shared with the State of Michigan.

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 2013-2014 fiscal year, the City had more than \$42 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 2013-2014 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 2014-2015 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

CITY OF NORWAY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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.

FINANCIAL

STATEMENTS

CITY OF NORWAY
 GOVERNMENT WIDE STATEMENT OF FINANCIAL POSITION
 June 30, 2014

	<u>PRIMARY GOVERNMENT</u>			<u>COMPONENT UNITS</u>
	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>	
ASSETS				
CURRENT ASSETS				
Cash and equivalents	\$ 703,079	\$ 1,084,578	\$ 1,787,657	\$ 53,980
Investments	327,259	0	327,259	0
Receivables - net	46,072	622,287	668,359	1,919
Due from fiduciary funds	20	0	20	0
Due from component units	36,625	22,258	58,883	0
Due from other governmental units	96,521	0	96,521	0
Inventory	0	236,921	236,921	127,333
Prepaid expenses	17,440	16,993	34,433	4,665
Internal balances	39,038	539,000	578,038	0
TOTAL CURRENT ASSETS	\$ 1,266,054	\$ 2,522,037	\$ 3,788,091	\$ 187,897
RESTRICTED ASSETS - Cash and equivalents	\$ 0	\$ 1,355,556	\$ 1,355,556	\$ 22,258
NON-CURRENT ASSETS				
Property and equipment, net of depreciation	\$ 12,082,016	\$ 18,801,091	\$ 30,883,107	\$ 19,086
Due from component units	38,726	0	38,726	0
Other	0	0	0	0
TOTAL NON-CURRENT ASSETS	\$ 12,120,742	\$ 18,801,091	\$ 30,921,833	\$ 19,086
TOTAL ASSETS	\$ 13,386,796	\$ 22,678,684	\$ 36,065,480	\$ 229,241
DEFERRRED OUTFLOW OF RESOURCES				
Bond discount	\$ 0	\$ 59,709	\$ 59,709	\$ 0
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 122,371	\$ 240,330	\$ 362,701	\$ 70,874
Accrued and other liabilities	72,670	413,754	486,424	48,839
Due to fiduciary funds	26,327	19,997	46,324	0
Due to primary government	0	0	0	58,883
Interprogram payables	151,038	427,000	578,038	0
Current part of non-current liabilities	395,969	403,971	799,940	30,000
TOTAL CURRENT LIABILITIES	\$ 768,376	\$ 1,505,052	\$ 2,273,427	\$ 208,596
NON-CURRENT LIABILITIES				
Compensated absences	\$ 134,005	\$ 0	\$ 134,005	\$ 0
Due to primary government	0	0	0	38,726
Notes payable	0	79,449	79,449	0
Land contracts payable	110,303	0	110,303	0
Bonds payable	2,743,000	0	2,743,000	95,000
Revenue bonds payable	0	10,660,162	10,660,162	0
TOTAL NON-CURRENT LIABILITIES	\$ 2,987,308	\$ 10,739,611	\$ 13,726,919	\$ 133,726
TOTAL LIABILITIES	\$ 3,755,684	\$ 12,244,663	\$ 16,000,347	\$ 342,322
NET POSITION				
Invested in capital	\$ 8,832,744	\$ 7,939,301	\$ 16,772,045	\$ 0
Restricted	58,194	1,216,641	1,274,835	0
Unrestricted	740,174	1,337,788	2,077,962	(113,081)
TOTAL NET POSITION	\$ 9,631,112	\$ 10,493,730	\$ 20,124,842	\$ (113,081)

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

CITY OF NORWAY
GOVERNMENTAL FUNDS BALANCE SHEET
COMBINED BALANCE SHEET
June 30, 2014

	GENERAL FUND	DOWNTOWN DEVELOPMENT AUTHORITY	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and equivalents	\$ 296,948	\$ 285,226	\$ 120,905	\$ 703,079
Taxes and accounts receivable	42,619	0	3,453	46,072
Due from other funds	30,875	0	8,163	39,038
Due from fiduciary funds	20	0	0	20
Due from components units	0	0	36,625	36,625
Due from other governmental units	46,658	0	49,863	96,521
Prepaid expenses	17,240	0	200	17,440
Investments	327,259	0	0	327,259
	TOTAL ASSETS	\$ 761,619	\$ 285,226	\$ 219,209
	\$ 761,619	\$ 285,226	\$ 219,209	\$ 1,266,054
LIABILITIES				
Accounts payable	\$ 48,572	\$ 1,922	\$ 71,877	\$ 122,371
Accrued payroll expense	35,422	0	9,224	44,646
Accrued taxes and withholdings	2,591	0	697	3,288
Due to other funds	112,000	39,038	0	151,038
Due to Retiree Insurance Trust Fund	26,327	0	0	26,327
Due to other governmental units	0	1,556	0	1,556
Other liabilities	8,168	0	0	8,168
	TOTAL LIABILITIES	\$ 233,080	\$ 42,516	\$ 81,799
	\$ 233,080	\$ 42,516	\$ 81,799	\$ 357,395
FUND BALANCE				
Nonspendable	\$ 17,240	\$ 0	\$ 200	\$ 17,440
Restricted	0	0	58,194	58,194
Committed	139,979	0	77,400	217,379
Unassigned	371,320	242,710	1,616	615,646
	TOTAL FUND EQUITY	\$ 528,539	\$ 242,710	\$ 137,410
	\$ 528,539	\$ 242,710	\$ 137,410	\$ 908,659
TOTAL LIABILITIES AND FUND EQUITY	\$ 761,619	\$ 285,226	\$ 219,209	\$ 1,266,054

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

CITY OF NORWAY
RECONCILIATION OF BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF FINANCIAL POSITION
June 30, 2014

Total fund balance - total governmental funds	\$	908,659
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		12,082,016
Notes receivable - facade improvements not due and payable within the current period and not reported in the government fund financial statements		0
Notes receivable - Oak Crest Golf Club, Inc. is not due and payable within the current period and not reported in the governmental fund financial statements		38,726
Accrued interest payable not recorded on governmental financial statements		(15,012)
Other postretirement employee benefit obligation		0
Long term liabilities:		
Bonds/loans not due and payable with the current period and not reported in the funds		(3,129,064)
Land contracts payables		(120,208)
Accumulated employee benefit pay not used in current period		<u>(134,005)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>9,631,112</u>

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, 2014

	GENERAL	DOWNTOWN DEVELOPMENT AUTHORITY	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
General property taxes	\$ 826,560	\$ 255,841	\$ 117,055	\$ 1,199,456
State shared revenues and grants	276,510	0	381,504	658,014
Contribution from other governmental units	0	0	28,949	28,949
Local grants/contributions	0	3,207	21,425	24,632
Charges for services	233,804	0	72,396	306,200
Fines and forfeitures	10,134	0	0	10,134
Interest and rentals	253,141	1,026	178	254,345
Sale of supplies/property	9,432	0	162	9,594
Administrative fees	874,700	0	0	874,700
Bond/land contract proceeds	0	0	0	0
Other	24,857	0	15,317	40,174
TOTAL REVENUES	\$ 2,509,138	\$ 260,074	\$ 636,986	\$ 3,406,198
EXPENDITURES				
General government	\$ 829,889	\$ 49,688	\$ 11,078	\$ 890,655
Public safety	616,846	0	115,795	732,641
Public works	484,226	0	753,806	1,238,032
Parks and recreation	130,431	0	16,790	147,221
Community development	0	0	12,120	12,120
Debt service	0	146,753	429,297	576,050
Capital outlay	3,420	0	12,748	16,168
TOTAL EXPENDITURES	\$ 2,064,812	\$ 196,441	\$ 1,351,634	\$ 3,612,887
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 444,326	\$ 63,633	\$ (714,648)	\$ (206,689)
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	\$ 0	\$ 0	\$ 865,896	\$ 865,896
Transfer from component unit	0	0	73,249	73,249
Transfer to other funds	(301,561)	(63,814)	(178,493)	(543,868)
EXCESS OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES	\$ 142,765	\$ (181)	\$ 46,004	\$ 188,588
Fund balance - beginning	385,774	242,891	91,406	720,071
FUND BALANCE - ENDING	\$ 528,539	\$ 242,710	\$ 137,410	\$ 908,659

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, 2014

Net change in fund balance - total governmental funds	\$	188,588
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		(926,907)
Current year additions		
General government	2,086	
Recreation and culture	2,374	
Public safety	11,708	
Current year disposals:		
Public works	0	
Depreciation		
General government	(64,632)	
Public safety	(62,510)	
Public works	(795,377)	
Recreation and culture	(20,556)	
	(943,075)	
Principal payments on note receivable - facade improvement		(3,152)
Note receivable - Oak Crest Golf Club, Inc.		
Interest earned but not payable until 2016 from Oak Crest Golf Club, Inc.		96
New debt acquired		0
Repayments of long term debt principal		433,450
DDA bonds - 2012 issue	105,000	
City Hall bonds	55,000	
Fire Hall bonds	23,000	
Public works installment purchase agreement	8,074	
Fire truck general obligation bond	15,000	
Street improvement general obligation bonds	70,000	
Golf clubhouse building bond	69,384	
Energy savings installment payment agreement	78,522	
Land contracts	9,470	
Decrease in accrued interest not recorded as expenditure in governmental funds		12,052
Increases in accumulated employee benefit pay are recorded when earned in the Statement of Activities.		(19,604)
General government	(1,162)	
Public safety	(16,644)	
Public works	(1,071)	
Recreation and culture	(727)	
		(315,477)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$		(315,477)

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

CITY OF NORWAY
 PROPRIETARY FUNDS
 STATEMENT OF FINANCIAL POSITION
 June 30, 2014

	TELEVISION UTILITY	ELECTRIC UTILITY	GOLF FUND	WATER UTILITY	SEWER UTILITY	TOTAL
ASSETS						
Current Assets:						
Cash and equivalents	\$ 80,456	\$ 1,003,299	\$ 455	\$ 0	\$ 368	\$ 1,084,578
Accounts receivable	140,791	342,906	779	66,645	71,166	622,287
Due from other funds	0	539,000	0	0	0	539,000
Due from component units	0	0	0	0	22,258	22,258
Inventory	20,960	160,733	0	31,502	23,726	236,921
Prepaid expenses	2,797	5,399	1,681	4,135	2,981	16,993
TOTAL CURRENT ASSETS	\$ 245,004	\$ 2,051,337	\$ 2,915	\$ 102,282	\$ 120,499	\$ 2,522,037
Restricted Assets	\$ 143,626	\$ 840,182	\$ 0	\$ 371,748	\$ 0	\$ 1,355,556
Property, Plant and Equipment:						
Utility system and equipment	\$ 1,563,727	\$ 20,509,279	\$ 2,255,734	\$ 6,353,987	\$ 2,381,056	\$ 33,063,783
Less accumulated depreciation	(691,525)	(8,335,164)	(1,624,701)	(2,601,397)	(1,009,905)	(14,262,692)
TOTAL PROPERTY, PLANT AND EQUIPMENT	\$ 872,202	\$ 12,174,115	\$ 631,033	\$ 3,752,590	\$ 1,371,151	\$ 18,801,091
TOTAL ASSETS	\$ 1,260,832	\$ 15,065,634	\$ 633,948	\$ 4,226,620	\$ 1,491,650	\$ 22,678,684
DEFERRED OUTFLOW OF RESOURCES						
Bond discount	\$ 20,959	\$ 37,722	\$ 0	\$ 1,028	\$ 0	\$ 59,709
LIABILITIES						
Current Liabilities:						
Accounts payable	\$ 73,156	\$ 93,373	\$ 14,716	\$ 18,751	\$ 40,334	\$ 240,330
Salaries and wages payable	5,605	21,156	7,073	6,809	7,066	47,709
Accrued taxes and withholdings	414	2,335	536	502	529	4,316
Due to other funds	0	0	118,000	0	309,000	427,000
Due to Retiree Insurance Trust Fund	3,141	8,447	3,141	2,127	3,141	19,997
Accrued interest	10,290	28,000	0	18,277	0	56,567
Accrued benefits	9,534	50,688	3,021	34,039	21,853	119,135
Other accrued expenses	0	9,522	0	37,590	0	47,112
Security deposits	0	138,915	0	0	0	138,915
Current portion of long term liabilities	20,000	252,447	14,530	108,000	8,994	403,971
TOTAL CURRENT LIABILITIES	\$ 122,140	\$ 604,883	\$ 161,017	\$ 226,095	\$ 390,917	\$ 1,505,052
Long Term Liabilities	\$ 1,125,000	\$ 6,956,385	\$ 47,777	\$ 2,531,000	\$ 79,449	\$ 10,739,611
TOTAL LIABILITIES	\$ 1,247,140	\$ 7,561,268	\$ 208,794	\$ 2,757,095	\$ 470,366	\$ 12,244,663
NET POSITION						
Invested in capital	\$ 0	\$ 4,965,283	\$ 568,726	\$ 1,113,590	\$ 1,291,702	\$ 7,939,301
Restricted	143,626	701,267	0	371,748	0	1,216,641
Unrestricted	(108,975)	1,875,538	(143,572)	(14,785)	(270,418)	1,337,788
TOTAL NET POSITION	\$ 34,651	\$ 7,542,088	\$ 425,154	\$ 1,470,553	\$ 1,021,284	\$ 10,493,730

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, 2014

	<u>TELEVISION UTILITY</u>	<u>ELECTRIC UTILITY</u>	<u>GOLF FUND</u>	<u>WATER UTILITY</u>	<u>SEWER UTILITY</u>	<u>TOTAL</u>
OPERATING REVENUES						
User charges	\$ 1,351,555	\$ 4,123,843	\$ 334,564	\$ 676,128	\$ 679,809	\$ 7,165,899
User penalties	15,345	31,892	0	6,787	8,683	62,707
Other	<u>19,116</u>	<u>14,052</u>	<u>820</u>	<u>33,000</u>	<u>7,800</u>	<u>74,788</u>
TOTAL OPERATING REVENUES	\$ 1,386,016	\$ 4,169,787	\$ 335,384	\$ 715,915	\$ 696,292	\$ 7,303,394
OPERATING EXPENSES						
Generation, transmission, distribution and maintenance	\$ 1,179,076	\$ 2,891,802	\$ 289,649	\$ 615,264	\$ 885,226	\$ 5,861,017
Depreciation	<u>70,952</u>	<u>587,853</u>	<u>27,299</u>	<u>137,529</u>	<u>29,653</u>	<u>853,286</u>
TOTAL OPERATING EXPENSES	\$ 1,250,028	\$ 3,479,655	\$ 316,948	\$ 752,793	\$ 914,879	\$ 6,714,303
OPERATING INCOME (LOSS)	\$ 135,988	\$ 690,132	\$ 18,436	\$ (36,878)	\$ (218,587)	\$ 589,091
NON-OPERATING GAINS (LOSSES)						
Interest	\$ 806	\$ 6,307	\$ 0	\$ 1,436	\$ 134	\$ 8,683
Local grants/contributions	0	0	0	0	75,706	75,706
Contribution capital, net of amortization	0	0	(28,581)	0	0	(28,581)
Gain/(loss) on disposal of property and equipment	0	0	2,250	0	0	2,250
Bond interest and fee payments	(62,461)	(348,445)	(3,075)	(119,706)	0	(533,687)
Bond issuance fees	(21,723)	0	0	0	0	(21,723)
Bond discount amortization	0	(1,735)	0	(342)	0	(2,077)
Grant amortization	0	0	0	(24,064)	(28,724)	(52,788)
NON-OPERATING TRANSFERS						
From other funds	\$ 0	\$ 5,780	\$ 0	\$ 0	\$ 0	\$ 5,780
To other funds	0	(264,777)	(11,043)	(42,154)	(9,834)	(327,808)
To component units	<u>0</u>	<u>0</u>	<u>(20,000)</u>	<u>0</u>	<u>0</u>	<u>(20,000)</u>
NET INCOME (LOSS)	\$ 52,610	\$ 87,262	\$ (42,013)	\$ (221,708)	\$ (181,305)	\$ (305,154)
Net position - beginning	<u>(17,959)</u>	<u>7,454,826</u>	<u>467,167</u>	<u>1,692,261</u>	<u>1,202,589</u>	<u>10,798,884</u>
NET POSITION - ENDING	\$ 34,651	\$ 7,542,088	\$ 425,154	\$ 1,470,553	\$ 1,021,284	\$ 10,493,730

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

CITY OF NORWAY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year ended June 30, 2014

	TELEVISION UTILITY	ELECTRIC UTILITY	GOLF FUND	WATER UTILITY	SEWER UTILITY	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 1,364,968	\$ 4,147,180	\$ 334,899	\$ 717,381	\$ 697,550	\$ 7,261,978
Payments to suppliers	(937,160)	(2,139,917)	(134,962)	(279,804)	(556,950)	(4,048,793)
Payments to or on behalf of employees	(235,588)	(753,662)	(149,350)	(282,533)	(362,873)	(1,784,006)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	\$ 192,220	\$ 1,253,601	\$ 50,587	\$ 155,044	\$ (222,273)	\$ 1,429,179
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfer from (to) other funds	0	(258,997)	(11,043)	(42,154)	(9,834)	(322,028)
Transfer from (to) component units	0	0	(20,000)	0	0	(20,000)
Other revenues	0	(55,700)	0	0	0	(55,700)
Repay loan to component unit	0	0	0	0	(2,303)	(2,303)
Loans from (repaid to) other funds	(31,300)	0	(550)	0	218,619	186,769
TOTAL CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	\$ (31,300)	\$ (314,697)	\$ (31,593)	\$ (42,154)	\$ 206,482	\$ (213,262)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal and interest paid on capital debt	\$ (71,938)	\$ (591,641)	\$ (19,271)	\$ (227,228)	\$ (1,499)	\$ (911,577)
Purchases of capital assets	(2,778)	(258,979)	(84,702)	(79,910)	(150,471)	(576,840)
Loan/lease proceeds	0	0	76,313	0	89,942	166,255
Proceeds from sale of equipment	0	0	2,250	0	0	2,250
Local grants/contributions	0	0	0	0	75,706	75,706
Funding of restricted accounts	(6,601)	(9,700)	0	389	0	(15,912)
TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (81,317)	\$ (860,320)	\$ (25,410)	\$ (306,749)	\$ 13,678	\$ (1,260,118)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest earned	\$ 806	\$ 6,307	\$ 0	\$ 1,436	\$ 134	\$ 8,683
NET INCREASE (DECREASE) IN CASH	\$ 80,409	\$ 84,891	\$ (6,416)	\$ (192,423)	\$ (1,979)	\$ (35,518)
Cash and equivalents - beginning	47	918,408	6,871	192,423	2,347	1,120,096
CASH AND EQUIVALENTS - ENDING	\$ 80,456	\$ 1,003,299	\$ 455	\$ 0	\$ 368	\$ 1,084,578
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ 135,988	\$ 690,132	\$ 18,436	\$ (36,878)	\$ (218,587)	\$ 589,091
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities						
Depreciation	70,952	587,853	27,299	137,529	29,653	853,286
Change in Assets and Liabilities						
Receivables - net	(21,048)	(22,607)	(485)	1,466	1,258	(41,416)
Inventory	(3,725)	35,989	0	2,289	1,282	35,835
Prepaid expenses	166	(771)	28	(1,076)	169	(1,484)
Bank overdraft	0	0	0	37,590	0	37,590
Accounts payable	9,251	(58,361)	2,748	14,227	7,048	(25,087)
Accrued payroll expense	(78)	7,130	2,292	1,678	(37,213)	(26,191)
Accrued taxes and withholdings	(17)	622	173	122	(2,852)	(1,952)
Sales tax payable	0	1,271	0	0	0	1,271
Accrued benefits	1,362	4,340	727	(1,476)	(3,031)	1,922
Due to fiduciary funds	(631)	(1,697)	(631)	(427)	0	(3,386)
Customer deposits	0	9,700	0	0	0	9,700
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 192,220	\$ 1,253,601	\$ 50,587	\$ 155,044	\$ (222,273)	\$ 1,429,179

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

CITY OF NORWAY
STATEMENT OF FINANCIAL POSITION
FIDUCIARY FUNDS
June 30, 2014

	AGENCY FUND TYPE	TRUST FUND TYPE
	Tax Collections	Retiree Insurance Trust Fund
ASSETS		
Cash and equivalents	\$ 20	\$ 0
Accounts receivable - net	0	0
Due from other funds	0	46,324
Interest and dividend receivable	0	0
Investments	0	180,787
Due from other governmental units	0	0
TOTAL ASSETS	\$ 20	\$ 227,111
LIABILITIES		
Accounts payable	\$ 0	\$ 0
Due to other funds	20	0
Due to other governmental units	0	0
Deferred revenue	0	0
TOTAL LIABILITIES	\$ <u>20</u>	\$ <u>0</u>
NET POSITION		
Held in trust for retiree insurance benefits	\$	227,111

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

CITY OF NORWAY
STATEMENT OF CHANGES IN PLAN NET POSITION
FIDUCIARY FUNDS
Year ended June 30, 2014

	Tax Collection	Retiree Insurance Trust Fund
ADDITIONS		
Contributions		
Taxes and related interest and penalties collected \$	2,628,627	\$ 0
Tax overpayments	5,981	0
Employer contributions	0	121,654
Total Contributions \$	2,634,608	\$ 121,654
Investment Income		
Increase/(decrease)		
in fair value of investments \$	0	\$ 18,041
Interest, dividends and realized gains	0	0
Net Investment Income \$	0	\$ 18,041
TOTAL ADDITIONS \$	2,634,608	\$ 139,695
DEDUCTIONS		
Tax distributions \$	2,638,007	\$ 0
Benefits paid	0	75,331
Administrative costs	0	459
TOTAL DEDUCTIONS \$	2,638,007	\$ 75,790
NET INCREASE \$	(3,399)	\$ 63,905
NET POSITION HELD IN TRUST FOR PENSION OR RETIREE INSURANCE BENEFITS		
Beginning \$	3,419	\$ 163,206
ENDING \$	20	\$ 227,111

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

CITY OF NORWAY
COMPONENT UNITS
STATEMENT OF FINANCIAL POSITION
June 30, 2014

	<u>OAK CREST GOLF CLUB, INC</u>	<u>NORWAY UTILITY AUTHORITY</u>		<u>TOTAL</u>
ASSETS				
Current Assets:				
Cash and equivalents	\$ 53,980	\$ 0	\$	53,980
Accounts receivable	1,919	0		1,919
Inventory	127,333	0		127,333
Prepaid expense	<u>4,665</u>	<u>0</u>		<u>4,665</u>
TOTAL CURRENT ASSETS	\$ 187,897	\$ 0	\$	187,897
Restricted cash and equivalents	\$ 0	\$ 22,258	\$	22,258
Capital assets being depreciated, net	<u>0</u>	<u>19,086</u>		<u>19,086</u>
TOTAL ASSETS	\$ 187,897	\$ 41,344	\$	229,241
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 70,874	\$ 0	\$	70,874
Gift certificates payable	17,916	0		17,916
Accrued payroll, taxes and withholdings	22,688	0		22,688
Due to City of Norway	36,625	22,258		58,883
Commissions payable	3,379	0		3,379
Accrued interest	0	2,604		2,604
Other accrued liabilities	2,252	0		2,252
Current part of long term debt	<u>0</u>	<u>30,000</u>		<u>30,000</u>
TOTAL CURRENT LIABILITIES	\$ 153,734	\$ 54,862	\$	208,596
Long Term Debt:				
Due to City of Norway	\$ 38,726	\$ 0	\$	38,726
Bonds payable	<u>0</u>	<u>95,000</u>		<u>95,000</u>
TOTAL LONG TERM DEBT	\$ 38,726	\$ 95,000	\$	133,726
TOTAL LIABILITIES	\$ 192,460	\$ 149,862	\$	342,322
NET POSITION				
Invested in capital	\$ 0	\$ 0	\$	0
Restricted	0	0		0
Unrestricted	<u>(4,563)</u>	<u>(108,518)</u>		<u>(113,081)</u>
TOTAL NET POSITION	\$ (4,563)	\$ (108,518)	\$	(113,081)

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

CITY OF NORWAY
 COMPONENT UNITS
 STATEMENT OF ACTIVITIES
 Year ended June 30, 2014

	<u>OAK CREST GOLF CLUB, INC</u>	<u>NORWAY UTILITY AUTHORITY</u>	<u>TOTAL</u>
EXPENSES			
Recreation	\$ 516,071	\$ 0	\$ 516,071
Interest and related fees	1,627	6,979	8,606
Other	<u>0</u>	<u>66</u>	<u>66</u>
TOTAL EXPENSES	\$ 517,698	\$ 7,045	\$ 524,743
PROGRAM REVENUES			
Charges for services	\$ <u>488,709</u>	\$ <u>0</u>	\$ <u>488,709</u>
NET PROGRAM REVENUES (EXPENSES)	\$ (28,989)	\$ (7,045)	\$ (36,034)
GENERAL REVENUES			
Memberships	\$ 21,690	\$ 0	\$ 21,690
Lease revenues	0	32,500	32,500
Interest earned	48	0	48
Other	<u>15,646</u>	<u>0</u>	<u>15,646</u>
TOTAL GENERAL REVENUES	\$ 37,384	\$ 32,500	\$ 69,884
TRANSFERS			
Transfer from City of Norway	\$ 20,000	\$ 0	\$ 20,000
Transfer to City of Norway	<u>(73,249)</u>	<u>0</u>	<u>(73,249)</u>
NET TRANSFERS	\$ (53,249)	\$ 0	\$ (53,249)
CHANGE IN NET POSITION	\$ (44,854)	\$ 25,455	\$ (19,399)
Net position (deficit) - beginning	<u>40,291</u>	<u>(133,973)</u>	<u>(93,682)</u>
NET POSITION (DEFICIT) - ENDING	<u><u>\$ (4,563)</u></u>	<u><u>\$ (108,518)</u></u>	<u><u>\$ (113,081)</u></u>

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

NOTES
TO
FINANCIAL
STATEMENTS

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 UNITS

The Norway Building Authority was established to finance the renovation, construction and equipping of the clubhouse at the Oak Crest Golf Course. All of the activity of the fund which consists solely of the debt service payments are transferred to the Debt Service Fund from the Oak Crest Golf Club, Inc. who is primarily responsible for the debt service payments. As such, the receipts and payments are recorded in the Debt Service Fund.

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.

DISCRETELY PRESENTED COMPONENT UNIT

The following component units are reported within the "component unit" column in the government wide financial statements. The discretely presented component units are entities that are legally separate from the City of Norway, but for which the City is financially accountable, or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Oak Crest Golf Club, Inc. is governed by a separate commission that is elected by the membership. While the City Council sets membership fees and can limit membership totals, the Council does not approve budgets or expenses. Complete audited financial statements are available at the Oak Crest Golf Club in Norway, Michigan and the City Hall.

The Norway Utility Authority was established as a joint venture with the Township of Norway to provide financing for upgrades to the sewer system to the residents of the two jurisdictions. Complete audited financial statements are available at the City Hall. The payments received from the two participating entities are recorded as lease revenue in accordance with the contracts between the Authority and each entity.

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation

Government-Wide Financial Statements

The government-wide statements (i.e., Statement of Financial Position and the Statement of Activities) report information on all of the activities of the City except for the fiduciary activities. All of the City's activities are considered to be governmental activities or business type activities. For the most part, the effect of interfund activity has been eliminated from these statements.

Fund Based Financial Statements

Separate financial statements are provided for on the basis of funds, each of which is considered a separate physical and accounting entity. The operations of each fund are accounted for, with a separate set of self balancing accounts that are comprised of assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenue and expenditures/expenses. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. Governmental, business type activities, as well as fiduciary funds are provided. The various fund types are grouped in the financial statements as major or nonmajor funds. The City reports the following major government 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 Downtown Development Authority accounts for the receipts and expenditures associated with improvements to the designated Tax Incremental Financing District.

The government reports the following major proprietary funds:

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

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

The Golf Fund accounts for the activities of the Oak Crest Golf Course.

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

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

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements report all financial and capital assets, short and long-term liabilities, revenue, expenses and gains and losses using an economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

Fund Based Financial Statements

Government fund types in agency funds use the modified accrual basis of accounting and the flow of expendable financial resources as their measurement focus. Under the modified accrual basis of accounting, revenues are recorded when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Revenues are available when they are collectible during the period and actual collection will occur either during the current period or after the end of the period but in time to pay fund liabilities. The City considers revenues to be available if they are expected to be collected within 60 days of the end of the year. Property tax revenues are recognized as revenue when they are levied with a proper allowance made for estimated uncollectible and/or delinquent accounts. Other tax revenues, fees and nontax revenues are recognized when received. Grants, entitlements and shared revenues are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when the conditions of the grants are satisfied. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable resources except unmatured interest on general long term debt is recorded when due.

Proprietary Financial Statements

Proprietary fund types use the accrual basis of accounting and the flow of all economic resources as their measurement focus. The basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises. Revenues are recorded when earned and expenses are recorded when incurred. Under this basis of accounting and measurement focus, the City applies all GASB pronouncements and FASB statements and interpretations, APB opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

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.

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

Cash and Cash Equivalents - Cash applicable to a particular fund is readily identifiable. Cash in excess of current requirements is invested into various interest-bearing securities on a short-term basis.

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

Due 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 - 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.

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 and equipment are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The City has elected not to report its infrastructure assets which is in compliance with Governmental Accounting Standards Board Statement Number 34 as the City is a "tier three" entity. All future infrastructure asset additions will be recorded and reported in the government wide financial statements.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following 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
Golf Course	15 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
Computer Equipment	3 to 7 years		

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Compensated Absences (Vacation, Personal and Sick Leave)– 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 Debt - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. In the applicable governmental activities, proceeds from any noncurrent liabilities and payments on those liabilities are recorded as other financing sources and debt services expenditures, respectively.

Property Tax Revenues - Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Allowances are made for estimated uncollectible accounts and delinquent accounts. Property taxes attach as an enforceable lien on property in December of each year.

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, 1.6450 mills for road improvements and 0.3660 mills for debt service on the Fire Truck obligation. These assessments generated net tax collections of \$826,560 recorded in the General Fund for operations, \$21,295 recorded in the Fire Protection Fund for the Fire Truck debt, \$255,841 in the Downtown Development Authority and \$95,760 in the Local Street Fund.

Delinquent real property taxes of the City are purchased annually by Dickinson County.

Investment in Capital - The portion of net position of the City that consists of capital assets, net of accumulated depreciation and reduced by liabilities attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position - Net position is restricted when there is constraints placed on their use by external parties or by statute.

Unrestricted Net Position - Net position not meeting either category above are considered unrestricted.

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Fund Balance Policies - Fund balance measures the net financial resources available to finance expenditures of future periods. Fund balance is the difference between assets and the deferred outflows of resources and liabilities and deferred inflows of resources reported in a governmental fund. The City's unassigned general fund balance will be maintained to provide the City with sufficient working capital and a safety of margin to address local emergency's without unnecessary borrowing. The unassigned general fund balance may only be appropriated by resolution of the Council. It is recognized that it will not always be possible to avoid borrowing to provide cash flow.

Fund balances of the City may be committed for a specific source by formal action of the Council. Amendments or modifications to the Committed Fund Balance must also be approved by formal action of the Council. Committed Fund Balance does not lapse at year-end.

The Council can delegate authority to assign Fund Balance for a specific purpose to the City Manager. Assigned Fund Balance does not lapse at year-end.

Restricted Fund Balances are those that can be spent only for specific purposes stipulated by external resource providers or statute.

Nonspendable Fund Balances include amounts that are not in an expendable form. The City reports inventory and prepaid expenses as Nonspendable Fund Balance.

Unassigned Fund Balance is the residual fund balance not falling into one of the above listed categories.

For purposes of fund balance classification, expenditures are to be spent from Restricted Fund Balance first (when appropriate), followed in order by Committed Fund Balance, Assigned Fund Balance and lastly, Unassigned Fund Balance.

Budget

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 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.

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Budget (continued)

2. Public hearing is held to obtain taxpayers comments.
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.

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 - Subsequent events have been evaluated through the date of the audit report, the date the financial statements were available to be issued.

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

The City's Television, Golf, Water and Sewer Funds have unrestricted net position deficits at June 30, 2014. The component unit's of the City also have unrestricted net position deficits at June 30, 2014.

CITY OF NORWAY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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.

Material variances occurring in the budgetary funds are listed here:

Fund/Activity	Actual	Budget	Variance	%
General-Building and Grounds	\$ 62,018	\$ 58,815	\$ 3,203	5
General-Public Safety	616,846	594,328	22,518	4
General-Refuse	161,156	157,574	3,582	2
Downtown Development-Admin Fees	28,115	0	28,115	~
Downtown Development-Supplies and Other	1,995	0	1,995	~
Museum-Capital Outlay	2,374	2,000	374	19
Debt Service - Debt Service	429,297	414,413	14,884	4
Capital Projects-Planning, Admin and Other	376,211	355,352	20,859	6
Capital Projects-Transfers Out	15,112	0	15,112	~

NOTE C – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan; bond securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements, bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The City has designated two banks and one financial institution for the deposit of its funds along with an investment in the Upper Peninsula Power Producers Agency, LLC. The investments policy adopted by the board in accordance with Public Act 196 of 1997, as amended, had authorized investment in any of the securities allowed under the Act. The City's deposits and investment policy are in accordance with statutory authority.

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE C – DEPOSITS AND INVESTMENTS (CONTINUED)

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

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash & Cash Equivalents	\$ 703,079	\$ 1,084,578	\$ 20	\$ 1,787,677	\$ 53,980
Restricted Assets	0	1,355,556	0	1,355,556	22,258
Total	\$ 703,079	\$ 2,440,134	\$ 20	\$ 3,143,233	\$ 76,238

All of the cash and equivalents have been placed in bank accounts at the various approved financial institutions. The primary government bank balance is \$3,143,233 of which \$250,000 is covered by federal depository insurance and the entire component unit cash balance is covered by federal depository insurance. The balance of the cash funds are uninsured and not collateralized.

INVESTMENTS

Investments, in general, are represented by specific identifiable investment securities are classified as to credit risk by the one of three categories.

The City's investments held in its General Fund fall into Category 1 which are held in the City's name. The investment was a membership in the Upper Peninsula Power Producers Agency, LLC (UPPPA). The City has invested \$327,259 as of June 30, 2014, and expects to receive an ongoing return of 12% per annum.

The City's investments held in its Retiree Insurance Trust fall into Category 1 which are held in the City's name. The investments were various securities held to be used to pay future retiree health insurance obligations. The City has invested \$180,787 as of June 30, 2014, and expects to receive an ongoing return of 8% per annum.

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE D - 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	
General	Downtown Development	\$ 30,875
General	Tax	20
Fire Protection	General	
Debt Service	Golf Club (component unit)	36,625
Capital Projects	Downtown Development	8,163
Electric	General	112,000
Electric	Golf	118,000
Electric	Sewer	309,000
Sewer	Norway Utility Authority (component unit)	22,258
Other Postemployment Benefits	General	26,327
Other Postemployment Benefits	Television	3,141
Other Postemployment Benefits	Electric	8,447
Other Postemployment Benefits	Golf	3,141
Other Postemployment Benefits	Water	2,127
Other Postemployment Benefits	Sewer	3,141

NOTE E - NOTES RECEIVABLE

During a prior fiscal year, the City entered into an agreement to loan money to the Oak Crest Golf Commission, Inc. for the repair of the clubhouse roof for \$38,726 including accrued interest through June 30, 2014. The repayment of the principal and interest on this loan have been deferred until the existing bonds are satisfied. Early payment of the principal and/or interest is allowed without penalty. Since repayment will not occur within the current fiscal year, the item is not reflected on the governmental fund type financial statements.

During a prior fiscal year, the City entered into a loan agreement with a business owner in the amount of \$17,500. This represents the owner's portion of the "streetscape" project. The agreement calls for 36 monthly payments of \$557 including interest at the rate of 6% per annum. The obligation was paid in full during the fiscal year.

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE F - CHANGES IN CAPITAL ASSETS

Capital asset activity for the City for the year ended June 30, 2014 was as follows:

	Beginning	Additions	Disposals	Ending
Governmental Funds				
Assets not depreciated				
Land	\$ 3,937,732	\$ 2,086	\$ 0	\$ 3,939,818
Assets being depreciated				
Buildings	2,873,100	3,757	0	2,876,857
Infrastructure	12,922,886	0	0	12,922,886
Equipment	<u>2,539,726</u>	<u>10,325</u>	<u>0</u>	<u>2,550,051</u>
Total at historic cost	\$ 22,273,444	\$ 16,168	\$ 0	\$ 22,289,612
Less accumulated depreciation for:				
Buildings	\$ 816,581	\$ 83,666	\$ 0	\$ 900,247
Infrastructure	6,622,964	754,204	0	7,377,168
Equipment	<u>1,824,976</u>	<u>105,205</u>	<u>0</u>	<u>1,930,181</u>
Total accumulated depreciation	\$ 9,264,521	\$ 943,075	\$ 0	\$ 10,207,596
Governmental Funds-Capital Assets	\$ <u>13,008,923</u>	\$ <u>(926,907)</u>	\$ <u>0</u>	\$ <u>12,082,016</u>
	Beginning	Additions	Disposals	Ending
Business Type Funds				
Assets not depreciated				
Land	\$ 37,978	\$ 0	\$ 0	\$ 37,978
Assets being depreciated				
Television/Internet/Telephone	\$ 1,521,651	\$ 42,076	\$ 0	\$ 1,563,727
Electric Utility System	20,274,777	258,979	60,095	20,473,661
Golf Operations	2,189,873	84,703	18,842	2,255,734
Water Utility System	6,274,076	79,911	0	6,353,987
Sewer Utility System	<u>2,207,428</u>	<u>171,268</u>	<u>0</u>	<u>2,378,696</u>
Total at historic cost	\$ 32,505,783	\$ 636,937	\$ 78,937	\$ 33,063,783
Less accumulated depreciation for:				
Television/Internet/Telephone	\$ 581,275	\$ 110,250	\$ 0	\$ 691,525
Electric Utility System	7,807,406	587,853	60,095	8,335,164
Golf Operations	1,587,660	55,883	18,842	1,624,701
Water Utility System	2,439,803	161,594	0	2,601,397
Sewer Utility System	<u>930,731</u>	<u>79,174</u>	<u>0</u>	<u>1,009,905</u>
Total accumulated depreciation	\$ 13,346,875	\$ 994,754	\$ 78,937	\$ 14,262,692
Business Type Funds-Capital Assets	\$ <u>19,158,908</u>	\$ <u>(357,817)</u>	\$ <u>0</u>	\$ <u>18,801,091</u>

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE F - CHANGES IN CAPITAL ASSETS (CONTINUED)

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

Governmental Activities	
General Government	\$ 64,632
Public Safety	62,510
Public Works	795,377
Parks and Recreation	<u>20,556</u>
Total Governmental Activities	<u>\$ 943,075</u>
Business-Type Activities	
Television/Internet/Telephone	\$ 110,250
Electric Utility System	587,853
Golf Operations	55,883
Water Utility System	161,594
Sewer Utility System	<u>79,174</u>
Total Business-Type Activities	<u>\$ 994,754</u>

NOTE G - OPERATING LEASE

During the 2008-2009 year, the City elected to separately account for and report its lease arrangement with the Norway Utility Authority (a component unit of the City). The Authority is leasing various property to the City of Norway and Norway Township. The leased property is used in conjunction with assets owned by the City to provide sanitary and storm sewer services to the residents. The lease payments from the City to the Authority during the year were \$19,955.

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE H - GENERAL LONG TERM DEBT

NORWAY BUILDING AUTHORITY BONDS

The Norway Building Authority originally issued \$850,000 of revenue bonds during 1993 for the construction of a new golf clubhouse. The bonds are a primary obligation of the Norway Building Authority with the City being secondarily liable. Payment of the bonds began on September 1, 1993 and runs to September 1, 2014, with an interest rate varying from 5.75% to 8%.

The bonds were refinanced in September, 2003 in the amount of \$615,000 plus a three percent premium of \$18,450. Semi-annual payments of \$36,625 are due September 1, 2014.

Debt requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014-2015	\$ 33,075	\$ 726	\$ 33,801

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:

<u>Payable Fiscal Year</u>	<u>December 1</u>		<u>June 1</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2014-2015	\$ 20,250	\$ 115,000	\$ 19,073	\$ 154,323	\$ 154,323
2015-2016	19,073	125,000	17,760	161,833	161,833
2016-2017	17,760	130,000	16,363	164,123	164,123
2017-2018	16,363	145,000	14,730	176,093	176,093
2018-2019	14,731	155,000	12,639	182,370	182,370
2019-2024	39,150	780,000	29,224	848,374	848,374
TOTALS	\$ 127,327	\$ 1,450,000	\$ 109,789	\$ 1,687,116	\$ 1,687,116

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE H - GENERAL LONG TERM DEBT (CONTINUED)

TRUCK BANK INSTALLMENT SALE CONTRACT

The City borrowed \$207,431 on March 10, 2006 for the acquisition of trucks to be used in the Public Works Department. The loan called for quarterly payments of \$8,265 beginning in May, 2006 and carried an interest rate of 4.5%.

The obligation was satisfied during the current fiscal year.

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 Fiscal Year	December 1		June 1		Total
	Interest	Principal	Interest		
2014-2015	\$ 10,878	\$ 25,000	\$ 10,284	\$	46,162
2015-2016	10,284	26,000	9,666		45,950
2016-2017	9,666	27,000	9,025		45,691
2017-2018	9,025	29,000	8,336		46,361
2018-2019	8,336	31,000	7,600		46,936
2019-2024	29,687	184,000	25,318		239,005
2024-2027	6,579	136,000	3,349		145,928
TOTALS	\$ 84,455	\$ 458,000	\$ 73,578	\$	616,033

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%.

CITY OF NORWAY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE H - GENERAL LONG TERM DEBT (CONTINUED)

CITY HALL BONDS (CONTINUED)

The cumulative debt service schedule is below:

Payable Fiscal Year	June 1		December 1		Total
	Interest	Principal	Interest		
2014-2015	\$ 12,740	\$ 55,000	\$ 12,740	\$	80,480
2015-2016	11,310	60,000	11,310		82,620
2016-2017	9,750	65,000	9,750		84,500
2017-2018	8,060	70,000	8,060		86,120
2018-2019	6,240	75,000	6,240		87,480
2019-2021	6,500	165,000	6,500		178,000
TOTALS	\$ 54,600	\$ 490,000	\$ 54,600	\$	599,200

2006 STREET IMPROVEMENT BONDS

The City issued \$995,000 of general obligation limited 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 Fiscal Year	June 1		December 1		Total
	Interest	Principal	Interest		
2014-2015	\$ 11,095	\$ 70,000	\$ 11,095	\$	92,190
2015-2016	9,590	70,000	9,590		89,180
2016-2017	8,068	70,000	8,067		86,135
2017-2018	6,510	70,000	6,510		83,020
2018-2019	4,935	70,000	4,935		79,870
2019-2021	5,005	140,000	5,005		150,010
TOTALS	\$ 45,203	\$ 490,000	\$ 45,202	\$	580,405

CITY OF NORWAY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE H- GENERAL LONG TERM DEBT (CONTINUED)

FIRE TRUCK BOND

The City borrowed a total \$215,000 using a draw schedule 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 Fiscal Year	October 1		April 1		Total
	Interest	Principal	Interest		
2014-2015	\$ 2,953	\$ 15,000	\$ 2,625	\$	\$ 20,578
2015-2016	2,625	15,000	2,297		19,922
2016-2017	2,297	15,000	1,969		19,266
2017-2018	1,969	15,000	1,641		18,610
2018-2019	1,641	17,500	1,257		20,398
2019-2022	2,570	57,500	1,312		61,382
TOTALS	\$ 14,055	\$ 135,000	\$ 11,101	\$	\$ 160,156

ENERGY SAVINGS INSTALLMENT SALE AGREEMENT

The City entered into an agreement for various energy savings projects with the completion of the work occurring in the 2008-9 fiscal year. Originally, the City entered into an operating lease arrangement with the vendor and subsequently refinanced the obligation to an installment sale agreement. The agreement calls for an average interest rate of 5.5% and annual payments of \$86,952.

The cumulative debt service schedule is below:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014-2015	\$ 72,872	\$ 4,057	\$ 76,928

LAND CONTRACT AGREEMENTS

During the 2012-2013 year, the City entered into an agreement to acquire land in Norway Township. This land acquisition was necessary for the ultimate annexation of the newly acquired land along with other land owned by the City. The annexation was completed during the prior fiscal year.

CITY OF NORWAY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE H- GENERAL LONG TERM DEBT (CONTINUED)

LAND CONTRACT AGREEMENTS (CONTINUED)

The land acquisition was financed with two separate land contracts. The first contract was for \$103,500 (\$115,000 purchase less \$11,500 down payment). It calls for monthly payments of \$700 beginning February 17, 2013 which includes interest at the rate of 4.5% for a period of five years. At the conclusion of the five years, a payment for the entire balance (expected to be \$82,948) will be due and payable. The second contract was for \$30,000. It calls for monthly payments of \$559.30 beginning on February 17, 2013 which includes interest at the rate of 4.5% for a period of five years.

The joint cumulative debt service schedule is below:

Payable Fiscal Year	Payments		Total
	Interest	Principal	
2014-2015	\$ 5,207	\$ 9,905	\$ 15,112
2015-2016	4,751	10,360	15,111
2016-2017	4,276	10,835	15,111
2017-2018	2,266	89,108	91,374
TOTALS	\$ 16,500	\$ 120,208	\$ 136,708

Summary of General Long Term Debt

	Beginning	New Debt	Payments	Ending	Current Part
Building Authority	\$ 102,575	\$ 0	\$ 69,383	\$ 33,192	\$ 33,192
2012 DDA Bond	1,555,000	0	105,000	1,450,000	115,000
Truck Installment	8,074	0	8,074	0	0
Fire Hall Bond	481,000	0	23,000	458,000	25,000
City Hall Bond	545,000	0	55,000	490,000	55,000
Street Improve Bond	560,000	0	70,000	490,000	70,000
Fire Truck Bond	150,000	0	15,000	135,000	15,000
Energy Saving Bond	151,394	0	78,522	72,872	72,872
Land Contracts	129,678	0	9,470	120,208	9,905
TOTALS	\$ 3,682,721	\$ 0	\$ 433,449	\$ 3,249,272	\$ 395,969

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE I - PROPRIETARY FUND LONG TERM DEBT

2009 TELEVISION REVENUE BONDS

The City issued \$1,200,000 of limited revenue bonds in March, 2009, for the updating of the television/internet system and addition of Voice Over Internet Protocol (VOIP) telephone service.

The bonds are not a general obligation of the City, but are payable solely from the net revenues of the Television/Internet Utility Fund. Payment of the bonds are due biennially on November 1 and May 1. The bonds carry interest at the varying rates from 5.2% to 5.65% and have a twenty year term.

The cumulative debt service schedule is below:

Payable Fiscal Year	November 1		May 1		Total
	Interest	Principal	Interest		
2014-2015	\$ 30,869	\$ 20,000	\$ 30,444	\$ 81,313	
2015-2016	30,444	20,000	29,993	80,437	
2016-2017	29,994	20,000	29,531	79,525	
2017-2018	29,531	20,000	29,056	78,587	
2018-2019	29,056	75,000	27,181	131,237	
2019-2024	113,869	430,000	102,313	646,182	
2024-2029	48,953	560,000	33,328	642,281	
TOTALS	\$ 312,716	\$ 1,145,000	\$ 281,846	\$ 1,739,562	

2002 ELECTRIC UTILITY SYSTEM REVENUE BONDS

The City issued \$995,000 of limited revenue bonds on June 3, 2002, for the updating of the power dam and automation of the plant. Payment of the bonds begin in 2002 and run to 2017, with interest rates varying from 4.3% to 5.15%.

The cumulative debt service schedule is below:

Payable Fiscal Year	June 1		December 1		Total
	Interest	Principal	Interest		
2014-2015	\$ 9,150	\$ 120,000	\$ 9,150	\$ 138,300	
2015-2016	6,150	120,000	6,150	132,300	
2016-2017	3,090	120,000	3,090	126,180	
TOTALS	\$ 18,390	\$ 360,000	\$ 18,390	\$ 396,780	

CITY OF NORWAY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE I - PROPRIETARY FUND LONG TERM DEBT (CONTINUED)

2007 ELECTRIC UTILITY SYSTEM REVENUE BONDS

The City issued \$6,315,000 of limited revenue bonds on August 3, 2007, for the updating of the power production and distribution capabilities of the Electric System. Payment of the bonds began on an interest only basis for three years. Principal payments begin in 2010 and run to 2034, with interest rates of 5.00%.

The cumulative debt service schedule is below:

Payable Fiscal Year	December 1		June 1		Total
	Interest	Principal	Interest		
2014-2015	\$ 156,118	\$ 60,000	\$ 154,394	\$ 370,512	
2015-2016	154,394	70,000	152,644	377,038	
2016-2017	152,644	80,000	150,943	383,587	
2017-2018	150,944	210,000	145,694	506,638	
2018-2019	145,694	220,000	140,194	505,888	
2019-2024	639,756	1,285,000	606,937	2,531,693	
2024-2029	456,250	1,670,000	414,125	2,540,375	
2029-2034	224,625	2,140,000	171,125	2,535,750	
2034-2035	11,750	470,000	0	481,750	
TOTALS	\$ 2,092,175	\$ 6,205,000	\$ 1,936,056	\$ 10,233,231	

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.

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE I - PROPRIETARY FUND LONG TERM DEBT (CONTINUED)

2008 CLEAN RENEWABLE ENERGY BONDS (CREB) (CONTINUED)

The cumulative debt service schedule is below:

Payable Fiscal Year	November 1		May 1		Total
	Interest	Principal	Interest		
2014-2015	\$ 5,460	\$ 66,666	\$ 4,854	\$	\$ 76,980
2015-2016	4,854	66,667	4,246		75,767
2016-2017	4,246	66,667	3,640		74,553
2017-2018	3,640	66,667	3,033		73,340
2018-2019	3,033	66,666	2,427		72,126
2019-2023	6,067	266,667	3,640		276,374
TOTALS	\$ 27,300	\$ 600,000	\$ 21,840	\$	\$ 649,140

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
2014-2015	\$ 5,780
2015-2016	5,780
2016-2017	5,780
2017-2018	5,780
2018-2019	5,780
2019-2022	14,931
TOTALS	\$ 43,831

CITY OF NORWAY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE I - PROPRIETARY FUND LONG TERM DEBT (CONTINUED)

GOLF EQUIPMENT INSTALLMENT PURCHASE AGREEMENT

In August, 2008, the City entered into an agreement for purchase of equipment for \$116,030 to be used at the Oak Crest Golf Club. The City financed the equipment by entering into an installment purchase agreement which calls for monthly payments of \$2,201.05 beginning August 15 and carries an interest rate of 5.4%. The term of the note is 60 months and was satisfied during the fiscal year.

GOLF EQUIPMENT INSTALLMENT PURCHASE AGREEMENT

In July, 2013, the City entered into an agreement for purchase of equipment for \$46,278 to be used at the Oak Crest Golf Club. The City financed the equipment by entering into an installment purchase agreement which calls for monthly payments of \$859.54 beginning July 17, 2013 and carries an interest rate of 4.35%. The term of the note is 60 months.

The cumulative debt service schedule is below:

Payable Fiscal Year	Payments		Total
	Interest	Principal	
2014-2015	\$ 1,468	\$ 8,846	\$ 10,314
2015-2016	1,076	9,238	10,314
2016-2017	667	9,648	10,315
2017-2018	239	10,076	10,315
TOTALS	\$ 3,450	\$ 37,808	\$ 41,258

GOLF EQUIPMENT INSTALLMENT PURCHASE AGREEMENT

In July, 2013, the City entered into an agreement for purchase of equipment for \$30,035 to be used at the Oak Crest Golf Club. The City financed the equipment by entering into an installment purchase agreement which calls for monthly payments of \$563.00 beginning July 17, 2013 and carries an interest rate of 4.891%. The term of the note is 60 months.

The cumulative debt service schedule is below:

Payable Fiscal Year	Payments		Total
	Interest	Principal	
2014-2015	\$ 1,072	\$ 5,684	\$ 6,756
2015-2016	788	5,968	6,756
2016-2017	489	6,267	6,756
2017-2018	176	6,581	6,757
TOTALS	\$ 2,525	\$ 24,500	\$ 27,025

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE I - PROPRIETARY FUND LONG TERM DEBT (CONTINUED)

1997 WATER UTILITY SYSTEM REVENUE BONDS

In 1997, 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 Fiscal Year	November 1		May 1		Total
	Interest	Principal	Interest		
2014-2015	\$ 54,878	\$ 63,000	\$ 53,460	\$	171,338
2015-2016	53,460	65,000	51,998		170,458
2016-2017	51,997	69,000	50,445		171,442
2017-2018	50,445	71,000	48,847		170,292
2018-2019	48,848	75,000	47,160		171,008
2019-2024	217,417	427,000	207,810		852,227
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	\$ 762,975	\$ 2,439,000	\$ 708,098	\$	3,910,073

1999 WATER UTILITY SYSTEM REVENUE BONDS

In 1987, the City issued revenue bonds in the amount of \$750,000 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. A statutory first lien has been created on the revenues of the system for the payment of said bonds and the interest thereon. During the 1998-1999 year, the bonds were refinanced through the Michigan Municipal Finance Authority. This refinancing reduced the interest to an effective interest rate of 5.012%.

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE I - PROPRIETARY FUND LONG TERM DEBT (CONTINUED)

1999 WATER UTILITY SYSTEM REVENUE BONDS (CONTINUED)

The cumulative debt service schedule is below:

Payable Fiscal Year	November 1		May 1		Total
	Interest	Principal	Interest		
2014-2015	\$ (46)	\$ 45,000	\$ 3,874	\$	48,828
2015-2016	(1,126)	50,000	2,636		51,510
2016-2017	(2,364)	50,000	1,388		49,024
2017-2018	(3,613)	55,000	0		51,387
TOTALS	\$ (7,149)	\$ 200,000	\$ 7,898	\$	200,749

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
2014-2015	\$ 8,994
2015-2016	8,994
2016-2017	8,994
2017-2018	8,994
2018-2019	8,994
2019-2024	43,473
TOTALS	\$ 88,443

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE I - PROPRIETARY FUND LONG TERM DEBT (CONTINUED)

Summary of Proprietary Long Term Debt

	<u>Beginning</u>	<u>New Debt</u>	<u>Payments</u>	<u>Ending</u>	<u>Current Part</u>
TV/Internet/Phone	\$ 1,155,000	\$ 0	\$ 10,000	\$ 1,145,000	\$ 20,000
2002 Electric Bond	480,000	0	120,000	360,000	120,000
2007 Electric Bond	6,255,000	0	50,000	6,205,000	60,000
2008 CREB Bond	666,666	0	66,666	600,000	66,667
Electric Loan-WPPI	49,612	0	5,780	43,832	5,780
Golf Equipment	2,191	0	2,191	0	0
Golf Equipment	0	46,278	8,470	37,808	8,846
Golf Equipment	0	30,035	5,535	24,500	5,684
1997 Water Bond	245,000	0	45,000	200,000	45,000
1999 Water Bond	2,499,000	0	60,000	2,439,000	63,000
2014 Sewer Loan	<u>0</u>	<u>89,942</u>	<u>1,499</u>	<u>88,443</u>	<u>8,994</u>
TOTALS	\$ 11,352,469	\$ 166,255	\$ 375,141	\$ 11,143,583	\$ 403,971

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, 2014 is \$190,939, \$123,676 and \$6,709 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 \$55,493 as of June 30, 2014. For proprietary funds, the liabilities are recorded in the applicable funds as accrued liabilities in accordance with FASB Statement 43.

CITY OF NORWAY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE J - COMPENSATED ABSENCES

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.

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:

	<u>Amount</u>
Oak Crest Golf Course	\$ 3,021
Electric Utility	50,689
Water Utility	34,039
Sewer Utility	21,853
Television Utility	9,534

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, 2014 follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Local Streets	General	\$ 33,850
Museum	General	7,815
Fire Protection	General	97,877

CITY OF NORWAY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE K - TRANSFER TO/FROM OTHER FUNDS (CONTINUED)

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Capital Projects	General	42,428
Capital Projects	Downtown Development	63,814
Capital Projects	Electric	264,064
Debt Service	General	113,811
Debt Service	Local Streets	95,915
Debt Service	Fire Protection	67,466
Debt Service	Golf Club (component unit)	73,249
Debt Service	Capital Projects	15,112
Debt Service	Electric	713
Debt Service	Golf	11,043
Debt Service	Water	42,154
Debt Service	Sewer	9,834
Electric	General	5,780
Golf Club (component unit)	Golf	20,000

NOTE L - 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. The Plan is affiliated with the Municipal Employees Retirement System of Michigan (MERS), and agent multiple-employer public employee pension plan. MERS acts as the administrator of the plan. Act No. 427 of the Public Acts of 1984, as amended, and the Constitution of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities. The December 31, 2013 actuarial valuation of the plan has been prepared by representatives of MERS. Normal retirement benefits are paid to employees retiring at age 60 with 10 or more years of service.

Funding Policy

The City is required to contribute at an actuarially determined rate. The rate for the year beginning July 1, 2014, is 24.74% of the valuation payroll. The rate for the year beginning July 1, 2015, is 25.11% of valuation payroll.

Benefit Summary

All full-time City employees and officers are eligible to participate in the MERS. Benefits vest after ten years of service. Normal retirement provisions of the MERS apply to participants who retire at or after age 60 with at least 10 years of credited service. The annual retirement benefits of covered employees vary depending on the valuation division. The annual retirement benefits are 2.50% of final average compensation for their last five years of employment multiplied by their years of credited service.

CITY OF NORWAY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE L - PENSION PLAN (CONTINUED)

Annual Pension Cost

For the year ended June 30, 2014, the city's annual pension cost of \$605,633 exceeded the City's required annual contributions. The required contribution was determined as part of the December 31, 2013, actuarial valuation using the entry age normal funding method. Significant actuarial assumptions used were: (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 8.5% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.0% annually for beneficiaries. The actuarial value of Plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten-year period. The Plans underfunded actuarial accrued liability is being amortized by the level percent of payroll contributions using a 25 year amortization.

GASB 25 INFORMATION (as of 12/31/13)

Actuarial Accrued Liability:	
Retiree and beneficiaries currently receiving benefits	\$ 13,458,696
Terminated employees not yet receiving benefits	0
Non-vested terminated employees	5,749
Current employees:	
Accumulated employee contributions including allocated investment income	826,056
Employer financed	<u>4,318,253</u>
Total Actuarial Liability	\$ 18,608,754
Net assets available for benefits, at actuarial value (Market Value is \$8,375,970)	8,893,940
Unfunded (overfunded) actuarial accrued liability	<u>\$ 9,714,814</u>

GASB 27 INFORMATION (as of 12/31/13)

Fiscal year beginning	July 1, 2015
Annual required contributions (ARC)	\$793,572
Amortization factor used	0.085453

Funding Progress

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Valuation Year	Annual Required Contribution	Percentage of ARC Contributed
December 31, 2011	\$ 513,063	100%
December 31, 2012	575,177	100%
December 31, 2013	607,522	102%

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE L - PENSION PLAN (CONTINUED)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability(AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Dec 31, 2011	\$ 8,714,953	\$ 16,874,298	\$ 8,159,345	51.6%	\$ 1,629,871	501%
Dec 31, 2012	8,820,839	17,418,266	8,597,427	50.6%	1,585,392	542%
Dec 31, 2013	8,893,940	18,608,754	9,714,814	47.8%	1,337,583	726%

NOTE M - RETIREE INSURANCE TRUST FUND

Pursuant to Council action, the City has provided hospital and medical insurance coverage for qualifying retired employees and has accounted for the actuarial required contributions of such transactions within the Retirees Insurance Trust Fund.

During the 2013-2014 year, the City's contribution was \$121,654 as determined by the "alternate" method which is allowed for "Tier III" municipalities.

As required by Governmental Accounting Standards Board Statement Number 45, following the 2008 fiscal year, the City had an actuarial study completed to determine its annual required contribution to its retiree insurance fund. The City was not required to have its study updated during the year (required triennially) and the contribution of \$121,654 was covered by actual expenditures of \$75,331 for retiree health insurance and trust fund contributions of \$55,627 and accrued contributions of \$46,323 that were paid soon after year end. As required by GASB, the study will be updated during the 2014-2015 year.

The City has contributed slightly more than is required by the actuarial report. The excess has not been recognized in the financial statements given the immaterial amount of the excess.

Funding Progress

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability(AAL)	Unfunded AAL (UAAL)	Funded Ratio
June 30, 2012	\$ 2,022	\$ 1,526,336	\$ 1,524,314	0.1%
June 30, 2013	163,206	1,526,336	1,363,130	10.7%
June 30, 2014	227,111	1,526,336	1,299,225	14.9%

CITY OF NORWAY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE M - RETIREE INSURANCE TRUST FUND (CONTINUED)

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Valuation Year</u>	<u>Annual Required Contribution</u>	<u>Percentage of ARC Contributed</u>
June 30, 2012	\$ 121,418	137%
June 30, 2013	121,654	186%
June 30, 2014	121,654	146%

NOTE N - NEW ACCOUNTING STANDARDS

For the year ended June 30, 2014, the City implemented the following new pronouncements:

GASB Statement 62 - Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989, when it does not conflict or contradict GASB pronouncements.

GASB Statement 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, defined as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively.

The statement also identifies net position as the residual of all other elements presented in a Statement of Financial Position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Managements Discussion and Analysis - for State and Local Governments* and other pronouncements by incorporating deferred overflows resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB Statement 65 - Items previously reported as Assets and Liabilities. This Statement requires that bond issuance costs be expensed in the year in which they are incurred.

NOTE O - UPCOMING ACCOUNTING PRONOUNCEMENT

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued by the GASB in June 2012, and will be effective for the City's 2014-2015 fiscal year. The Statement requires governments that participated defined-benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefits payable to employees based on their past service) and the assets (mostly investments reported fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 68 will improve the comparability inconsistency of how governments calculate the pension liabilities and expense.

CITY OF NORWAY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE P - SUBSEQUENT EVENT

The City currently is completing planning for an anticipated sewer project. Revenue bonds will be issued as a part of the project and the existing bonds will be extinguished. This will result in the closure of the Norway Utility Authority and the acquisition of the remaining assets by the City

NOTE Q - RECLASSIFICATION

Certain reclassifications have been made in the 2013 comparative totals to conform to classifications used in 2014.

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 preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

CITY OF NORWAY
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 Year ended June 30, 2014

	<u>ORIGINAL</u>	<u>AMENDED</u>	<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>BUDGET</u>	<u>BUDGET</u>	<u>BUDGET</u>	<u>AMENDED BUDGET</u>
Beginning Fund Balance	\$ 385,774	\$ 385,774	\$ 385,774	\$ 0
Resources (Inflows)				
Property taxes	820,672	823,170	826,560	3,390
State shared revenues and grants	274,945	278,500	276,510	(1,990)
Fines and forfeitures	9,000	9,000	10,134	1,134
Charges for services	233,600	233,600	233,804	204
Interest and rentals	216,000	241,000	253,141	12,141
Sale of supplies/property	6,000	9,431	9,432	1
Administration fees	874,700	874,700	874,700	0
Other	5,000	10,900	24,857	13,957
Transfer from other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ <u>2,825,691</u>	\$ <u>2,866,075</u>	\$ <u>2,894,912</u>	\$ <u>28,837</u>
Charges to Appropriations (Outflows)				
General Government				
Mayor/Council/Elections	\$ 66,525	\$ 57,810	\$ 56,800	\$ 1,010
Administration/Finance/Legal	688,502	709,683	711,071	(1,388)
Buildings and grounds	107,902	58,815	62,018	(3,203)
Public Safety				
Police	564,483	594,328	616,846	(22,518)
Public Works				
Maintenance	349,820	337,483	323,070	14,413
Refuse	161,768	157,574	161,156	(3,582)
Parks and Recreation	121,761	131,943	122,445	9,498
City band	9,250	8,151	7,986	165
Capital Outlay	5,270	3,420	3,420	0
Transfers to other funds	<u>383,711</u>	<u>342,450</u>	<u>301,561</u>	<u>40,889</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>2,458,992</u>	\$ <u>2,401,657</u>	\$ <u>2,366,373</u>	\$ <u>35,284</u>
BUDGETARY FUND BALANCE--ENDING	<u>\$ 366,699</u>	<u>\$ 464,418</u>	<u>\$ 528,539</u>	<u>\$ 64,121</u>

CITY OF NORWAY
 BUDGETARY COMPARISON SCHEDULE
 DOWNTOWN DEVELOPMENT AUTHORITY
 Year ended June 30, 2014

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning Fund Balance	\$ 242,891	\$ 242,891	\$ 242,891	\$ 0
Resources (Inflows)				
Property taxes	247,425	260,110	255,841	(4,269)
Interest earned	2,000	1,000	1,026	26
Facade contributions from businesses	3,205	3,706	3,207	(499)
Transfers from other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 495,521	\$ 507,707	\$ 502,965	\$ (4,742)
Charges to Appropriations (Outflows)				
Contracted services	\$ 16,450	\$ 23,850	\$ 19,578	\$ 4,272
Administrative fees	0	0	28,115	(28,115)
Supplies and other	0	0	1,995	(1,995)
Debt service	146,553	146,553	146,753	(200)
Bond issuance costs	0	0	0	0
Capital outlay	0	0	0	0
Transfers to other funds	<u>152,803</u>	<u>88,115</u>	<u>63,814</u>	<u>24,301</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>315,806</u>	\$ <u>258,518</u>	\$ <u>260,255</u>	\$ <u>(1,737)</u>
BUDGETARY FUND BALANCE--ENDING	\$ <u><u>179,715</u></u>	\$ <u><u>249,189</u></u>	\$ <u><u>242,710</u></u>	\$ <u><u>(6,479)</u></u>

ADDITIONAL
INFORMATION

CITY OF NORWAY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2014

	SPECIAL REVENUE							
	MAJOR STREET FUND	LOCAL STREET FUND	FIRE PROTECTION	MUSEUM	DEBT SERVICE	CAPITAL PROJECTS	TOTAL	
ASSETS								
Cash and equivalents	\$ 14,320	\$ 1,253	\$ 22,419	\$ 50,342	\$ 0	\$ 32,571	\$ 120,905	
Accounts receivable	0	0	3,453	0	0	0	3,453	
Due from other funds	0	0	0	0	0	8,163	8,163	
Due from component units	0	0	0	0	36,625	0	36,625	
Due from other governmental units	35,181	14,682	0	0	0	0	49,863	
Prepaid expenses	0	0	200	0	0	0	200	
TOTAL ASSETS	\$ 49,501	\$ 15,935	\$ 26,072	\$ 50,342	\$ 36,625	\$ 40,734	\$ 219,209	
LIABILITIES AND FUND EQUITY								
LIABILITIES								
Accounts payable	\$ 207	\$ 215	\$ 2,951	\$ 2,027	\$ 36,625	\$ 29,852	\$ 71,877	
Salaries and wages payable	4,087	2,519	2,618	0	0	0	9,224	
Payroll taxes payable	309	190	198	0	0	0	697	
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	\$ 4,603	\$ 2,924	\$ 5,768	\$ 2,027	\$ 36,625	\$ 29,852	\$ 81,799	
FUND EQUITY								
Fund balance:								
Nonspendable	\$ 0	\$ 0	\$ 200	\$ 0	\$ 0	\$ 0	\$ 200	
Restricted	44,898	13,011	285	0	0	0	58,194	
Committed	0	0	18,203	48,315	0	10,882	77,400	
Unassigned	0	0	1,616	0	0	0	1,616	
TOTAL FUND BALANCE	\$ 44,898	\$ 13,011	\$ 20,304	\$ 48,315	\$ 0	\$ 10,882	\$ 137,410	
TOTAL LIABILITIES AND FUND EQUITY	\$ 49,501	\$ 15,935	\$ 26,072	\$ 50,342	\$ 36,625	\$ 40,734	\$ 219,209	

CITY OF NORWAY
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
Year ended June 30, 2014

	SPECIAL REVENUE						TOTAL
	MAJOR STREET FUND	LOCAL STREET FUND	FIRE PROTECTION	MUSEUM	DEBT SERVICE	CAPITAL PROJECTS	
REVENUES							
Property taxes	\$ 0	\$ 95,760	\$ 21,295	\$ 0	\$ 0	\$ 0	\$ 117,055
State shared revenues	262,449	119,055	0	0	0	0	381,504
Charges for services	0	0	72,396	0	0	0	72,396
Interest	10	84	26	58	0	0	178
Local grants/contributions	0	0	7,232	5,829	0	8,364	21,425
Contribution from other governmental unit	9,655	19,294	0	0	0	0	28,949
Sale of supplies	0	0	0	162	0	0	162
Other	0	0	5,026	10,291	0	0	15,317
TOTAL REVENUES	\$ 272,114	\$ 234,193	\$ 105,975	\$ 16,340	\$ 0	\$ 8,364	\$ 636,986
EXPENDITURES							
General government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,078	\$ 11,078
Public Safety	0	0	115,795	0	0	0	115,795
Public Works	228,283	160,390	0	0	0	365,133	753,806
Parks and recreation	0	0	0	16,790	0	0	16,790
Community development	0	0	12,120	0	0	0	12,120
Debt services	0	0	0	0	429,297	0	429,297
Capital outlay	0	0	8,288	2,374	0	2,086	12,748
TOTAL EXPENDITURES	\$ 228,283	\$ 160,390	\$ 136,203	\$ 19,164	\$ 429,297	\$ 378,297	\$ 1,351,634
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 43,831	\$ 73,803	\$ (30,228)	\$ (2,824)	\$ (429,297)	\$ (369,933)	\$ (714,648)
OTHER FINANCING SOURCES (USES)							
Transfer from other funds	\$ 0	\$ 33,850	\$ 97,877	\$ 7,815	\$ 356,048	\$ 370,306	\$ 865,896
Transfer from component unit	0	0	0	0	73,249	0	73,249
Transfer to other funds	0	(95,915)	(67,466)	0	0	(15,112)	(178,493)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	\$ 43,831	\$ 11,738	\$ 183	\$ 4,991	\$ 0	\$ (14,739)	\$ 46,004
Fund balance - beginning	1,067	1,273	20,121	43,324	0	25,621	91,406
FUND BALANCE - ENDING	\$ 44,898	\$ 13,011	\$ 20,304	\$ 48,315	\$ 0	\$ 10,882	\$ 137,410

CITY OF NORWAY
 BUDGETARY COMPARISON SCHEDULE
 MAJOR STREET FUND
 Year ended June 30, 2014

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>AMENDED</u> <u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH</u> <u>AMENDED BUDGET</u>
Beginning Fund Balance	\$ 1,067	\$ 1,067	\$ 1,067	\$ 0
Resources (Inflows)				
State shared revenues and grants	210,850	248,206	262,449	14,243
Federal grant	0	0	0	0
Contribution from other governmental unit	9,485	9,628	9,655	27
Local contribution	0	0	0	0
Interest earned	1,000	10	10	0
Transfers from other funds	<u>60,035</u>	<u>9,102</u>	<u>0</u>	<u>(9,102)</u>
 AMOUNTS AVAILABLE FOR APPROPRIATION	 \$ 282,437	 \$ 268,013	 \$ 273,181	 \$ 5,168
Charges to Appropriations (Outflows)				
Construction	\$ 45,183	\$ 0	\$ 0	\$ 0
Route maintenance	135,945	136,945	110,218	26,727
Sidewalks	0	0	0	0
Trees and shrubs	0	0	0	0
Traffic services	12,325	8,875	3,215	5,660
Winter maintenance	81,567	114,876	110,976	3,900
Administration	0	0	0	0
Trunkline maintenance	6,350	6,250	3,874	2,376
Transfers to other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 TOTAL CHARGES TO APPROPRIATIONS	 <u>\$ 281,370</u>	 <u>\$ 266,946</u>	 <u>\$ 228,283</u>	 <u>\$ 38,663</u>
 BUDGETARY FUND BALANCE--ENDING	 <u><u>\$ 1,067</u></u>	 <u><u>\$ 1,067</u></u>	 <u><u>\$ 44,898</u></u>	 <u><u>\$ 43,831</u></u>

CITY OF NORWAY
 BUDGETARY COMPARISON SCHEDULE
 LOCAL STREET FUND
 Year ended June 30, 2014

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>AMENDED</u> <u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH</u> <u>AMENDED BUDGET</u>
Beginning Fund Balance	\$ 1,273	\$ 1,273	\$ 1,273	\$ 0
Resources (Inflows)				
Property taxes	98,305	95,464	95,760	296
Federal grants	0	0	0	0
State shared revenues and grants	93,500	112,692	119,055	6,363
Contribution from other governmental unit	18,970	19,255	19,294	39
Interest earned	1,000	100	84	(16)
Transfers from other funds	<u>8,602</u>	<u>33,850</u>	<u>33,850</u>	<u>0</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 221,650	\$ 262,634	\$ 269,316	\$ 6,682
Charges to Appropriations (Outflows)				
Construction	\$ 0	\$ 0	\$ 0	\$ 0
Route maintenance	71,500	80,171	79,067	1,104
Trees and shrubs	0	0	0	0
Traffic services	5,027	5,077	1,538	3,539
Winter maintenance	48,485	80,175	79,785	390
Administration	0	0	0	0
Transfers to other funds	<u>95,365</u>	<u>95,915</u>	<u>95,915</u>	<u>0</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>220,377</u>	\$ <u>261,338</u>	\$ <u>256,305</u>	\$ <u>5,033</u>
BUDGETARY FUND BALANCE--ENDING	\$ <u><u>1,273</u></u>	\$ <u><u>1,296</u></u>	\$ <u><u>13,011</u></u>	\$ <u><u>11,715</u></u>

CITY OF NORWAY
 BUDGETARY COMPARISON SCHEDULE
 FIRE PROTECTION FUND
 Year ended June 30, 2014

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>AMENDED</u> <u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH</u> <u>AMENDED BUDGET</u>
Beginning Fund Balance	\$ 20,121	\$ 20,121	\$ 20,121	\$ 0
Resources (Inflows)				
Operations				
Property taxes	19,387	21,285	21,295	10
State grant	238,500	0	0	0
Charges for services-fire protection agreements	82,709	72,396	72,396	0
Contributions	6,550	6,550	7,232	682
Interest earned	165	45	26	(19)
Transfers from other funds	137,808	123,762	97,877	(25,885)
Volunteer Firemen				
Fund raising	<u>12,850</u>	<u>750</u>	<u>5,026</u>	<u>4,276</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 518,090	\$ 244,909	\$ 223,973	\$ (20,936)
Charges to Appropriations (Outflows)				
Operations				
Public Safety - Fire	\$ 390,104	\$ 136,168	\$ 115,795	\$ 20,373
Capital outlay	29,000	16,000	8,288	7,712
Transfers to other funds	67,465	67,465	67,466	(1)
Volunteer Firemen				
Community development	<u>11,400</u>	<u>12,500</u>	<u>12,120</u>	<u>380</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>497,969</u>	\$ <u>232,133</u>	\$ <u>203,669</u>	\$ <u>28,464</u>
BUDGETARY FUND BALANCE--ENDING	\$ <u><u>20,121</u></u>	\$ <u><u>12,776</u></u>	\$ <u><u>20,304</u></u>	\$ <u><u>7,528</u></u>

CITY OF NORWAY
 BUDGETARY COMPARISON SCHEDULE
 MUSEUM FUND
 Year ended June 30, 2014

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>AMENDED</u> <u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH</u> <u>AMENDED BUDGET</u>
Beginning Fund Balance	\$ 43,324	\$ 43,324	\$ 43,324	\$ 0
Resources (Inflows)				
Memberships	2,000	2,000	1,545	(455)
Fund raising	500	8,707	8,746	39
Local grant	1,000	2,000	2,000	0
Contributions	10,000	5,000	3,829	(1,171)
Interest earned	25	50	58	8
Sale of property	100	140	162	22
Other	0	0	0	0
Transfers from other funds	<u>7,000</u>	<u>7,000</u>	<u>7,815</u>	<u>815</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 63,949	\$ 68,221	\$ 67,479	\$ (742)
Charges to Appropriations (Outflows)				
Parks and recreation	\$ 17,695	\$ 16,955	\$ 16,790	\$ 165
Capital projects	<u>20,000</u>	<u>2,000</u>	<u>2,374</u>	<u>(374)</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>37,695</u>	\$ <u>18,955</u>	\$ <u>19,164</u>	\$ <u>(209)</u>
BUDGETARY FUND BALANCE--ENDING	\$ <u><u>26,254</u></u>	\$ <u><u>49,266</u></u>	\$ <u><u>48,315</u></u>	\$ <u><u>(951)</u></u>

CITY OF NORWAY
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 Year ended June 30, 2014

	<u>ORIGINAL</u>	<u>AMENDED</u>	<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>AMENDED BUDGET</u>
Beginning Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Resources (Inflows)				
Contribution from component unit	63,249	63,249	73,249	10,000
Transfers from other funds	<u>350,601</u>	<u>351,164</u>	<u>356,048</u>	<u>4,884</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 413,850	\$ 414,413	\$ 429,297	\$ 14,884
Charges to Appropriations (Outflows)				
Debt service	\$ 413,850	\$ 414,413	\$ 429,297	\$ (14,884)
Lease payments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>413,850</u>	\$ <u>414,413</u>	\$ <u>429,297</u>	\$ <u>(14,884)</u>
BUDGETARY FUND BALANCE--ENDING	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

CITY OF NORWAY
 BUDGETARY COMPARISON SCHEDULE
 CAPITAL PROJECTS FUND
 Year ended June 30, 2014

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>AMENDED</u> <u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH</u> <u>AMENDED BUDGET</u>
Beginning Fund Balance	\$ 25,621	\$ 25,621	\$ 25,621	\$ 0
Resources (Inflows)				
Federal grants	500,559	0	0	0
State grants	4,000	0	0	0
Contributions	6,000	8,064	8,364	300
Transfers from other funds	<u>314,488</u>	<u>364,276</u>	<u>370,306</u>	<u>6,030</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 850,668	\$ 397,961	\$ 404,291	\$ 6,330
Charges to Appropriations (Outflows)				
Capital projects	\$ 15,112	\$ 15,112	\$ 2,086	\$ 13,026
Planning, administration and other	809,935	355,352	376,211	(20,859)
Transfers to other funds	<u>0</u>	<u>0</u>	<u>15,112</u>	<u>(15,112)</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>825,047</u>	\$ <u>370,464</u>	\$ <u>393,409</u>	\$ <u>(22,945)</u>
BUDGETARY FUND BALANCE--ENDING	\$ <u><u>25,621</u></u>	\$ <u><u>27,497</u></u>	\$ <u><u>10,882</u></u>	\$ <u><u>(16,615)</u></u>

CITY OF NORWAY
BOND ORDINANCE COMPLIANCE
30-Jun-14

TELEVISION/INTERNET/TELEPHONE 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	17,024.96	78,512.01	26.32	71,937.50	23,625.79	23,481.25
BOND RESERVE	<u>120,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>120,000.00</u>	<u>120,000.00</u>
	<u>137,024.96</u>	<u>78,512.01</u>	<u>26.32</u>	<u>71,937.50</u>	<u>143,625.79</u>	<u>143,481.25</u>

BOND INTEREST AND REDEMPTION IS TO BE FUNDED MONTHLY AT 1/6 OF THE NEXT INTEREST PAYMENT DUE AND 1/12 OF THE NEXT PRINCIPAL PAYMENT DUE

BOND RESERVE IS TO BE FUNDED AT \$120,000 AT THE SALE OF THE BOND

ELECTRIC UTILITY FUND:

THE BOND ORDINANCES REQUIRE FUNDING OF THE FOLLOWING ACCOUNT:

	BEGINNING BALANCE	TRANSFERS IN	INTEREST EARNED	EXPENDITURES	ENDING BALANCE	REQUIRED ENDING BALANCE
BOND RESERVE	<u>701,266.50</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>701,266.50</u>	<u>592,179.00</u>

THREE BOND ORDINANCES REQUIRE THAT THE BOND RESERVE WILL BE FUNDED AT THE LESSOR OF:

125% OF AVERAGE ANNUAL DEBT SERVICE OF ALL OUTSTANDING ELECTRIC REVENUE BONDS 673,823

10% OF THE PRINCIPAL OF ALL OUTSTANDING ELECTRIC REVENUE BONDS 720,883

MAXIMUM ANNUAL DEBT SERVICE OF ALL OUTSTANDING ELECTRIC REVENUE BONDS 592,179

ONE BOND ORDINANCE REQUIRES THAT THE BOND RESERVE BE EQUAL TO THE MAXIMUM DEBT SERVICE ON ALL OUTSTANDING REVENUE BONDS

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-SENIOR	55,659.62	53,963.98	0.00	56,122.50	53,501.10	29,985.00
BOND INTEREST AND REDEMPTION-JUNIOR	35,149.47	172,605.00	106.73	171,105.00	36,756.20	31,500.00
BOND RESERVE-JUNIOR	<u>173,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>173,000.00</u>	<u>173,000.00</u>
	<u>263,809.09</u>	<u>226,568.98</u>	<u>106.73</u>	<u>227,227.50</u>	<u>263,257.30</u>	<u>234,485.00</u>

SENIOR BOND INTEREST AND REDEMPTION IS TO BE FUNDED MONTHLY AT 1/6 OF THE NEXT INTEREST PAYMENT DUE AND 1/12 OF THE NEXT PRINCIPAL PAYMENT DUE

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

JUNIOR BOND RESERVE IS FULLY FUNDED AT \$173,000

SEGMENT

INFORMATION

CITY OF NORWAY
 TELEVISION/INTERNET/TELEPHONE UTILITY FUND
 STATEMENT OF FINANCIAL POSITION
 June 30, 2014 and 2013

		<u>2014</u>		<u>2013</u>
ASSETS				
Current Assets:				
Cash and equivalents	\$	80,456	\$	47
Accounts receivable		140,791		119,743
Inventory		20,960		17,235
Prepaid expenses		<u>2,797</u>		<u>2,963</u>
TOTAL CURRENT ASSETS	\$	245,004	\$	139,988
Restricted Assets:				
Bond and interest redemption	\$	23,626	\$	17,025
Bond reserve		<u>120,000</u>		<u>120,000</u>
TOTAL RESTRICTED ASSETS	\$	143,626	\$	137,025
Property, Plant and Equipment:				
System and equipment	\$	1,563,727	\$	1,521,651
Less accumulated depreciation		<u>(691,525)</u>		<u>(581,275)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	\$	<u>872,202</u>	\$	<u>940,376</u>
TOTAL ASSETS	\$	1,260,832	\$	1,217,389
DEFERRED OUTFLOW OF RESOURCES				
Bond discount	\$	20,958	\$	43,271
LIABILITIES				
Current Liabilities:				
Accounts payable	\$	73,156	\$	63,905
Salaries and wages payable		5,605		5,683
Accrued taxes and withholdings		414		431
Due to other funds		0		31,300
Due to fiduciary funds		3,141		3,772
Accrued benefits		9,534		8,172
Accrued interest		10,290		10,356
Current portion of long term debt		<u>20,000</u>		<u>10,000</u>
TOTAL CURRENT LIABILITIES	\$	122,140	\$	133,619
Long Term Debt - Revenue bonds payable		<u>1,125,000</u>		<u>1,145,000</u>
TOTAL LIABILITIES	\$	<u>1,247,140</u>	\$	<u>1,278,619</u>
NET POSITION				
Invested in capital	\$	0	\$	0
Restricted		143,626		137,025
Unrestricted		<u>(108,975)</u>		<u>(154,984)</u>
NET POSITION	\$	<u>34,651</u>	\$	<u>(17,959)</u>

CITY OF NORWAY
TELEVISION/INTERNET/TELEPHONE UTILITY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
User charges		
Television	\$ 807,067	\$ 706,912
Internet	449,770	408,710
Telephone	159,875	153,948
User penalties	15,345	15,520
Other charges	19,116	15,530
Package discounts	<u>(65,157)</u>	<u>(63,054)</u>
TOTAL OPERATING REVENUES	\$ 1,386,016	\$ 1,237,566
OPERATING EXPENSES		
Transmission, distribution and maintenance	\$ 1,179,076	\$ 1,192,376
Depreciation	<u>70,952</u>	<u>76,028</u>
TOTAL OPERATING EXPENSES	\$ <u>1,250,028</u>	\$ <u>1,268,404</u>
OPERATING INCOME	\$ 135,988	\$ (30,838)
NON-OPERATING GAINS (LOSSES)		
Interest	\$ 806	\$ 806
Bond interest payments	(62,461)	(63,498)
Bond issuance costs	(21,723)	0
Transfers to other funds	<u>0</u>	<u>0</u>
TOTAL NON-OPERATING GAINS (LOSSES)	\$ <u>(83,378)</u>	\$ <u>(62,692)</u>
NET INCOME	\$ 52,610	\$ (93,530)
Net position - beginning	<u>(17,959)</u>	<u>75,571</u>
NET POSITION - ENDING	<u><u>\$ 34,651</u></u>	<u><u>\$ (17,959)</u></u>

CITY OF NORWAY
TELEVISION/INTERNET/TELEPHONE UTILITY FUND
STATEMENT OF CASH FLOWS
Year ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 1,364,968	\$ 1,240,967
Payments to suppliers	(937,160)	(956,511)
Payments to or on behalf of employees	(235,588)	(251,631)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	\$ 192,220	\$ 32,825
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Loans from other funds	\$ (31,300)	\$ 31,300
Transfers to other funds	0	0
TOTAL CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	\$ (31,300)	\$ 31,300
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal and interest paid on capital debt	\$ (71,938)	\$ (77,400)
Purchases of capital assets	(2,778)	(3,503)
Funding of restricted accounts	(6,601)	3,423
TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (81,317)	\$ (77,480)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	\$ 806	\$ 806
NET INCREASE (DECREASE) IN CASH	\$ 80,409	\$ (12,549)
Cash and equivalents - beginning	47	12,596
CASH AND EQUIVALENTS - ENDING	\$ 80,456	\$ 47
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	\$ 135,988	\$ (30,838)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation	70,952	76,028
Change in Assets and Liabilities		
Receivables - net	(21,048)	3,401
Inventory	(3,725)	2,213
Prepaid expenses	166	1,755
Accounts payable	9,251	(12,064)
Accrued payroll expense	(78)	875
Accrued taxes and withholdings	(17)	61
Due to fiduciary funds	(631)	3,772
Accrued benefits	1,362	(12,378)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 192,220	\$ 32,825

CITY OF NORWAY
TELEVISION/INTERNET/TELEPHONE UTILITY FUND
SCHEDULE OF OPERATING EXPENSES
Year ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Transmission, Distribution & Maintenance:		
Salaries and wages	\$ 147,991	\$ 139,693
Employee benefits	88,233	104,268
Supplies	41,515	31,092
Utilities purchased for resale	720,880	724,240
Contract services	10,485	8,228
Administrative fees	131,019	146,205
Repairs and maintenance	2,592	3,099
Rent/lease	743	743
Insurance	2,902	2,613
Utilities	32,527	31,946
Other	<u>189</u>	<u>249</u>
TOTAL TRANSMISSION, DISTRIBUTION AND MAINTENANCE	\$ 1,179,076	\$ 1,192,376
Depreciation	<u>70,952</u>	<u>76,028</u>
TOTAL OPERATING EXPENSES	\$ <u><u>1,250,028</u></u>	\$ <u><u>1,268,404</u></u>

CITY OF NORWAY
ELECTRIC UTILITY FUND
STATEMENT OF FINANCIAL POSITION
June 30, 2014 and 2013

		<u>2014</u>		<u>2013</u>
ASSETS				
Current Assets:				
Cash and equivalents	\$	1,003,299	\$	918,408
Accounts receivable		342,906		320,299
Due from other funds		539,000		483,300
Inventory		160,733		196,722
Prepaid expenses		<u>5,399</u>		<u>4,628</u>
TOTAL CURRENT ASSETS	\$	2,051,337	\$	1,923,357
Restricted Assets:				
Bond reserve account	\$	701,267	\$	701,267
Security deposits		<u>138,915</u>		<u>129,215</u>
TOTAL RESTRICTED ASSETS	\$	840,182	\$	830,482
Property, Plant and Equipment:				
Electric system	\$	20,509,279	\$	20,310,395
Less accumulated depreciation		<u>(8,335,164)</u>		<u>(7,807,406)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	\$	12,174,115	\$	12,502,989
TOTAL ASSETS	\$	15,065,634	\$	15,256,828
DEFERRED OUTFLOWS OF RESOURCES				
Bond discount	\$	37,722	\$	39,457
LIABILITIES				
Current Liabilities:				
Accounts payable	\$	93,373	\$	151,734
Salaries and wages payable		21,156		14,026
Accrued taxes and withholdings		2,335		1,713
Due to fiduciary funds		8,447		10,144
Accrued benefits		50,688		46,348
Sales tax payable		9,522		8,251
Customer deposits		138,915		129,215
Accrued interest		28,000		28,749
Current portion of long term debt		<u>252,447</u>		<u>242,447</u>
TOTAL CURRENT LIABILITIES	\$	604,883	\$	632,627
Long Term Debt - Revenue bonds payable		<u>6,956,385</u>		<u>7,208,832</u>
TOTAL LIABILITIES	\$	7,561,268	\$	7,841,459
NET POSITION				
Invested in capital	\$	4,965,283	\$	5,051,710
Restricted		701,267		701,267
Unrestricted		<u>1,875,538</u>		<u>1,701,849</u>
TOTAL NET POSITION	\$	7,542,088	\$	7,454,826

CITY OF NORWAY
ELECTRIC UTILITY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
User charges	\$ 4,123,843	\$ 4,211,678
User penalties	31,892	37,945
Other	<u>14,052</u>	<u>11,173</u>
TOTAL OPERATING REVENUES	\$ 4,169,787	\$ 4,260,796
OPERATING EXPENSES		
Generation, distribution and maintenance	\$ 2,891,802	\$ 3,028,800
Depreciation	<u>587,853</u>	<u>567,016</u>
TOTAL OPERATING EXPENSES	\$ <u>3,479,655</u>	\$ <u>3,595,816</u>
OPERATING INCOME	\$ 690,132	\$ 664,980
NON-OPERATING GAINS (LOSSES)		
Interest income	\$ 6,307	\$ 6,841
Bond interest payments	(348,445)	(357,929)
Bond discount amortization	(1,735)	(1,736)
Transfer from other funds	5,780	5,780
Transfer to other funds	<u>(264,777)</u>	<u>(713)</u>
TOTAL NON-OPERATING GAINS (LOSSES)	\$ <u>(602,870)</u>	\$ <u>(347,757)</u>
NET INCOME	\$ 87,262	\$ 317,223
Net position - beginning	<u>7,454,826</u>	<u>7,137,603</u>
NET POSITION - ENDING	\$ <u><u>7,542,088</u></u>	\$ <u><u>7,454,826</u></u>

CITY OF NORWAY
STATEMENT OF CASH FLOWS
ELECTRIC UTILITY FUND
Year ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 4,147,180	\$ 4,342,977
Payments to suppliers	(2,139,917)	(2,350,812)
Payments to or on behalf of employees	<u>(753,662)</u>	<u>(776,616)</u>
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	\$ 1,253,601	\$ 1,215,549
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer from (to) other funds	\$ (258,997)	\$ 5,067
Loans repaid (to) from other funds	<u>(55,700)</u>	<u>(223,900)</u>
TOTAL CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	\$ (314,697)	\$ (218,833)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal and interest paid on capital debt	\$ (591,641)	\$ (601,115)
Purchases of capital assets	(258,979)	(393,934)
Restricted funds used during construction	0	349,069
Funding of restricted accounts	<u>(9,700)</u>	<u>25,718</u>
TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (860,320)	\$ (620,262)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	\$ <u>6,307</u>	\$ <u>6,841</u>
NET INCREASE (DECREASE) IN CASH	\$ 84,891	\$ 383,295
Cash and equivalents - beginning	<u>918,408</u>	<u>535,113</u>
CASH AND EQUIVALENTS - ENDING	<u>\$ 1,003,299</u>	<u>\$ 918,408</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	\$ 690,132	\$ 664,980
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation	587,853	567,016
Change in Assets and Liabilities		
Receivables - net	(22,607)	82,181
Inventory	35,989	(50,035)
Prepaid expenses	(771)	4,794
Accounts payable	(58,361)	(21,055)
Accrued payroll expense	7,130	(3,278)
Accrued taxes and withholdings	622	(1,127)
Accrued sales tax	1,271	(504)
Due to fiduciary funds	(1,697)	10,144
Accrued benefits	4,340	(46,378)
Customer deposits	<u>9,700</u>	<u>8,811</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,253,601</u>	<u>\$ 1,215,549</u>

CITY OF NORWAY
ELECTRIC UTILITY FUND
SCHEDULE OF OPERATING EXPENSES
Year ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Generation, Distribution & Maintenance:		
Salaries and wages	\$ 459,918	\$ 431,387
Employee benefits	301,496	340,824
Supplies	191,694	53,973
Utilities purchased for reale	1,062,995	1,285,936
Contract services	231,692	262,223
Administrative fees	493,841	530,592
Repairs and maintenance	45,054	41,361
Rent/lease	6,100	6,205
Insurance	63,496	54,398
Utilities	26,305	9,631
Other	<u>9,211</u>	<u>12,270</u>
TOTAL GENERATION, DISTRIBUTION AND MAINTENANCE	\$ 2,891,802	\$ 3,028,800
Depreciation	<u>587,853</u>	<u>567,016</u>
TOTAL OPERATING EXPENSES	\$ <u><u>3,479,655</u></u>	\$ <u><u>3,595,816</u></u>

CITY OF NORWAY
WATER UTILITY FUND
STATEMENT OF FINANCIAL POSITION
June 30, 2014 and 2013

	2014	2013
ASSETS		
Current Assets:		
Cash and equivalents	\$ 0	\$ 192,423
Accounts receivable	66,645	68,111
Inventory	31,502	33,791
Prepaid expenses	4,135	3,059
TOTAL CURRENT ASSETS	\$ 102,282	\$ 297,384
Restricted Assets:		
Revenue bond and interest redemption	\$ 90,257	\$ 90,809
Water supply replacement fund	108,491	108,328
Bond reserve - junior indenture	173,000	173,000
TOTAL RESTRICTED ASSETS	\$ 371,748	\$ 372,137
Property, Plant and Equipment:		
Water system	\$ 6,353,987	\$ 6,274,076
Less accumulated depreciation	(2,601,397)	(2,439,803)
TOTAL PROPERTY, PLANT AND EQUIPMENT	\$ 3,752,590	\$ 3,834,273
TOTAL ASSETS	\$ 4,226,620	\$ 4,503,794
DEFERRED OUTFLOW OF RESOURCES		
Bond discount, net of amortization	\$ 1,028	\$ 1,370
LIABILITIES		
Current Liabilities:		
Bank overdraft	\$ 37,590	\$ 0
Accounts payable	18,751	4,524
Salaries and wages payable	6,809	5,131
Accrued taxes and withholdings	502	380
Due to fiduciary funds	2,127	2,554
Accrued benefits	34,039	35,515
Accrued interest	18,277	20,799
Current portion of long term debt	108,000	105,000
TOTAL CURRENT LIABILITIES	\$ 226,095	\$ 173,903
Long Term Debt - Revenue bonds payable	2,531,000	2,639,000
TOTAL LIABILITIES	\$ 2,757,095	\$ 2,812,903
NET POSITION		
Invested in Capital	\$ 1,113,590	\$ 1,090,273
Restricted	371,748	372,137
Unrestricted	(14,785)	229,851
NET POSITION	\$ 1,470,553	\$ 1,692,261

CITY OF NORWAY
WATER UTILITY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
User charges	\$ 676,128	\$ 716,325
User penalties	6,787	7,594
Local grant	0	0
Hydrant rentals	<u>33,000</u>	<u>33,000</u>
TOTAL OPERATING REVENUES	\$ 715,915	\$ 756,919
OPERATING EXPENSES		
Transmission, distribution and maintenance	\$ 615,264	\$ 490,238
Depreciation	<u>137,529</u>	<u>135,628</u>
TOTAL OPERATING EXPENSES	\$ <u>752,793</u>	\$ <u>625,866</u>
OPERATING INCOME	\$ (36,878)	\$ 131,053
NON-OPERATING GAINS (LOSSES)		
Interest	\$ 1,436	\$ 1,795
Bond interest payments	(119,706)	(126,354)
Bond discount amortization	(342)	(342)
Contributed capital amortization	(24,064)	(22,244)
Transfer from other funds	0	0
Transfer to other funds	<u>(42,154)</u>	<u>(42,154)</u>
TOTAL NON-OPERATING GAINS (LOSSES)	\$ <u>(184,830)</u>	\$ <u>(189,299)</u>
NET INCOME	\$ (221,708)	\$ (58,246)
Net position - beginning	<u>1,692,261</u>	<u>1,750,507</u>
NET POSITION - ENDING	\$ <u><u>1,470,553</u></u>	\$ <u><u>1,692,261</u></u>

CITY OF NORWAY
STATEMENT OF CASH FLOWS
WATER UTILITY FUND
Year ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 717,381	\$ 778,736
Payments to suppliers	(279,804)	(241,728)
Payments to or on behalf of employees	(282,533)	(250,681)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	\$ 155,044	\$ 286,327
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer from (to) other funds	\$ (42,154)	\$ (42,154)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal and interest paid on capital debt	\$ (227,228)	\$ (224,135)
Purchases of capital assets	(79,910)	(18,013)
Funding of restricted accounts	389	(4,735)
TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (306,749)	\$ (246,883)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	\$ 1,436	\$ 1,795
NET INCREASE (DECREASE) IN CASH	\$ (192,423)	\$ (915)
Cash and equivalents - beginning	192,423	193,338
CASH AND EQUIVALENTS - ENDING	\$ 0	\$ 192,423
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	\$ (36,878)	\$ 131,053
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation	137,529	135,628
Change in Assets and Liabilities		
Receivables - net	1,466	21,817
Inventory	2,289	1,683
Prepaid expenses	(1,076)	1,614
Bank overdraft	37,590	0
Accounts payable	14,227	(2,782)
Accrued payroll expense	1,678	(1)
Accrued taxes and withholdings	122	(13)
Due to fiduciary funds	(427)	2,554
Accrued benefits	(1,476)	(5,226)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 155,044	\$ 286,327

CITY OF NORWAY
 WATER UTILITY FUND
 SCHEDULE OF OPERATING EXPENSES
 Year ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Transmission, Distribution & Maintenance:		
Salaries and wages	\$ 161,451	\$ 127,868
Employee benefits	121,406	117,573
Supplies	12,134	11,364
Contract services	107,591	29,005
Administrative fees	120,941	119,637
Repairs and maintenance	11,983	6,526
Rent/lease	3,673	135
Insurance	9,089	5,621
Utilities	65,734	70,002
Other	<u>1,262</u>	<u>2,507</u>
 TOTAL TRANSMISSION, DISTRIBUTION AND MAINTENANCE	 \$ 615,264	 \$ 490,238
Depreciation	<u>137,529</u>	<u>135,628</u>
 TOTAL OPERATING EXPENSES	 \$ <u><u>752,793</u></u>	 \$ <u><u>625,866</u></u>

CITY OF NORWAY
SEWER UTILITY FUND
STATEMENT OF FINANCIAL POSITION
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets:		
Cash and equivalents	\$ 368	\$ 2,347
Accounts receivable	71,166	72,424
Due from Norway Utility Authority	22,258	19,955
Inventory	23,726	25,008
Prepaid expenses	<u>2,981</u>	<u>3,150</u>
TOTAL CURRENT ASSETS	\$ 120,499	\$ 122,884
Property, Plant and Equipment:		
Sewage plant, lines and vehicles	\$ 2,381,056	\$ 2,209,788
Less accumulated depreciation	<u>(1,009,905)</u>	<u>(930,731)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	\$ 1,371,151	\$ 1,279,057
TOTAL ASSETS	\$ 1,491,650	\$ 1,401,941
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 40,334	\$ 33,286
Salaries and wages payable	7,066	44,279
Accrued taxes and withholdings	529	3,381
Due to other funds	309,000	89,750
Due to fiduciary funds	3,141	3,772
Accrued benefits	21,853	24,884
Current portion of long term debt	<u>8,994</u>	<u>0</u>
TOTAL CURRENT LIABILITIES	\$ 390,917	\$ 199,352
Long Term Debt - Loan payable	<u>79,449</u>	<u>0</u>
TOTAL LIABILITIES	\$ 470,366	\$ 199,352
NET POSITION		
Invested in Capital	\$ 1,291,702	\$ 1,279,057
Restricted	0	0
Unrestricted	<u>(270,418)</u>	<u>(76,468)</u>
NET POSITION	\$ 1,021,284	\$ 1,202,589

CITY OF NORWAY
SEWER UTILITY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
User charges	\$ 679,809	\$ 689,303
User penalties	8,683	9,571
Other revenue	<u>7,800</u>	<u>11,860</u>
TOTAL OPERATING REVENUES	\$ 696,292	\$ 710,734
 OPERATING EXPENSES		
Transmission, distribution and maintenance	\$ 885,226	\$ 730,985
Depreciation	<u>29,653</u>	<u>25,734</u>
TOTAL OPERATING EXPENSES	\$ <u>914,879</u>	\$ <u>756,719</u>
OPERATING INCOME	\$ (218,587)	\$ (45,985)
 NON-OPERATING GAINS (LOSSES)		
Interest earned	\$ 134	\$ 139
Local grants/contributions	75,706	0
Contributed capital amortization	(28,724)	(38,291)
Transfers from other funds	0	0
Transfers (to) other funds	<u>(9,834)</u>	<u>(9,834)</u>
TOTAL NON-OPERATING GAINS (LOSSES)	\$ <u>37,282</u>	\$ <u>(47,986)</u>
NET INCOME	\$ (181,305)	\$ (93,971)
Net Position - beginning	<u>1,202,589</u>	<u>1,296,560</u>
NET POSITION - ENDING	\$ <u><u>1,021,284</u></u>	\$ <u><u>1,202,589</u></u>

CITY OF NORWAY
STATEMENT OF CASH FLOWS
SEWER UTILITY FUND
Year ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 697,550	\$ 716,629
Payments to suppliers	(556,950)	(341,320)
Payments to or on behalf of employees	(362,873)	(364,449)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	\$ (222,273)	\$ 10,860
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer from (to) other funds	\$ (9,834)	\$ (9,834)
Repayment of amount due from component unit/additional advance	(2,303)	2,303
Loans received from (repaid to) other funds	218,619	9,822
TOTAL CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	\$ 206,482	\$ 2,291
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal, interest and fees paid on capital debt	\$ (1,499)	0
Loan proceeds	89,942	0
Local grant/contributions	75,706	0
Purchases of capital assets	(150,471)	(10,975)
TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	\$ 13,678	\$ (10,975)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	\$ 134	\$ 139
NET INCREASE (DECREASE) IN CASH	\$ (1,979)	\$ 2,315
Cash and equivalents - beginning	2,347	32
CASH AND EQUIVALENTS - ENDING	\$ 368	\$ 2,347
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (218,587)	\$ (45,985)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation	29,653	25,734
Change in Assets and Liabilities		
Receivables - net	1,258	5,895
Inventory	1,282	2,796
Prepaid expenses	169	1,428
Accounts payable	7,048	26,177
Accrued payroll expense	(37,213)	37,975
Accrued taxes and withholdings	(2,852)	2,899
Accrued benefits	(3,031)	(46,059)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (222,273)	\$ 10,860

CITY OF NORWAY
SEWER UTILITY FUND
SCHEDULE OF OPERATING EXPENSES
Year ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Transmission, Distribution & Maintenance:		
Salaries and wages	\$ 175,945	\$ 189,668
Employee benefits	143,832	169,596
Supplies	61,444	59,047
Contract services	272,153	72,760
Administrative fees	100,784	93,989
Repairs and maintenance	12,537	23,073
Rent/lease	19,955	20,723
Insurance	14,531	11,652
Utilities	80,872	86,189
Other	<u>3,173</u>	<u>4,288</u>
 TOTAL TRANSMISSION, DISTRIBUTION AND MAINTENANCE	 \$ 885,226	 \$ 730,985
Depreciation	<u>29,653</u>	<u>25,734</u>
 TOTALS	 \$ <u><u>914,879</u></u>	 \$ <u><u>756,719</u></u>

SCOTT R. KENNEY

Certified Public Accountant

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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, the aggregate discretely presented component units, 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, 2014, 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 16, 2014.

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.

My consideration of internal control was for the limited purpose described in the preceding paragraph, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying letter of comments and recommendations, I identified certain deficiencies in internal control that I consider to be material weaknesses or significant deficiencies.

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. I consider no deficiencies in the accompanying letter of comments and recommendations to be material weaknesses.

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. I consider no deficiencies in the accompanying letter of comments and recommendations to be significant deficiencies.

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.


Certified Public Accountant

September 16, 2014