

City of Wayland
Allegan County, Michigan

FINANCIAL STATEMENTS

Year ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Wayland, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wayland, Michigan, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wayland, Michigan, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension schedules, as listed in the contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wayland, Michigan's basic financial statements. The combining nonmajor governmental fund financial statements, component unit financial statements, and schedules of debt retirement and annual interest requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental fund financial statements, component unit financial statements, and schedules of debt retirement and annual interest requirements (supplementary information) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Siegfried Crandall P.C.

October 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Wayland's (the City) financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net position increased by \$704,727 as a result of this year's activities. Net position of the governmental activities increased by \$153,162 and net position of the business-type activities increased by \$551,565.
- Total net position at the end of the fiscal year was \$11,815,453. However, \$9,501,047 of this total represents a net investment in capital assets and \$911,827 is restricted for various purposes. Consequently, the City's unrestricted net position is \$1,402,579, which is available to be used at the Council's discretion, without constraints established by debt covenants, enabling legislation, or other legal requirements.

Overview of the financial statements

The City's annual report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide financial statements.
 - Governmental funds statements explain how general government services, like public safety, were financed in the short-term, as well as what balance remains for future spending.
 - Proprietary funds statements offer short-term and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.
 - Agency funds statements provide information about the financial relationships in which the City acts solely as an agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required supplementary information and other supplementary information that further explain and support the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2019 and 2018 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the City's assets, deferred outflows of resources, and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position (the difference between the City's assets and deferred outflows of resources, and liabilities) is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional nonfinancial factors, such as changes in the City's property tax base and the condition of the City's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the City's basic services are included here, such as police protection, fire protection, and general government. Property taxes and state shared revenues generally fund these activities.
- *Business-type activities* - The City charges fees to customers to help it cover the costs of certain services it provides. The City's sewer and water systems are reported here.
- *Component unit* - The City includes another entity in its report - the Downtown Development Authority. Although legally separate, this "component unit" is important because the City is financially accountable for it.

Fund financial statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law (like the street funds) and bond agreements.
- The City Council establishes other funds to control and manage money for particular purposes (such as Community Building and Park activities) or to show that it is properly using certain taxes and other revenues (such as property taxes collected by Allegan County for the Special Road Fund).

The City has three types of funds:

- *Governmental funds.* Most of the City's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Proprietary funds.* Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements, provide both long-term and short-term financial information.
 - The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The City's sewer and water utility systems are reported in enterprise funds.
 - The City uses an internal service fund (the other type of proprietary fund) to report activities that provide services for the City's other programs and activities. The City's only internal service fund is its Equipment Fund.
- *Agency funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of other taxing jurisdictions outside the City. The City is responsible for ensuring that the assets reported in the agency funds are used for their intended purposes. The City's agency balances are reported in a separate Statement of Assets and Liabilities. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$11,815,453. Of this total, \$9,501,047 represents a net investment in capital assets and \$911,827 is restricted for various purposes. Consequently, unrestricted net position was \$1,402,579, or 12 percent of the total.

*Condensed financial information
Net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 2,427,672	\$ 2,058,233	\$ 2,827,322	\$ 2,223,699	\$ 5,254,994	\$ 4,281,932
Capital assets	<u>6,089,390</u>	<u>5,999,060</u>	<u>4,926,263</u>	<u>5,140,716</u>	<u>11,015,653</u>	<u>11,139,776</u>
Total assets	<u>8,517,062</u>	<u>8,057,293</u>	<u>7,753,585</u>	<u>7,364,415</u>	<u>16,270,647</u>	<u>15,421,708</u>
Deferred outflows of resources	<u>474,325</u>	<u>156,727</u>	<u>134,229</u>	<u>44,419</u>	<u>608,554</u>	<u>201,146</u>
Long-term debt	451,421	614,613	1,063,185	1,330,548	1,514,606	1,945,161
Current and other liabilities	<u>2,802,056</u>	<u>1,940,879</u>	<u>747,086</u>	<u>533,030</u>	<u>3,549,142</u>	<u>2,473,909</u>
Total liabilities	<u>3,253,477</u>	<u>2,555,492</u>	<u>1,810,271</u>	<u>1,863,578</u>	<u>5,063,748</u>	<u>4,419,070</u>
Deferred inflows of resources	<u>-</u>	<u>73,780</u>	<u>-</u>	<u>19,278</u>	<u>-</u>	<u>93,058</u>
Net position:						
Net investment in capital assets	5,637,969	5,384,447	3,863,078	3,810,168	9,501,047	9,194,615
Restricted	911,827	853,857	-	-	911,827	853,857
Unrestricted	<u>(811,886)</u>	<u>(653,556)</u>	<u>2,214,465</u>	<u>1,715,810</u>	<u>1,402,579</u>	<u>1,062,254</u>
Total net position	<u>\$ 5,737,910</u>	<u>\$ 5,584,748</u>	<u>\$ 6,077,543</u>	<u>\$ 5,525,978</u>	<u>\$ 11,815,453</u>	<u>\$ 11,110,726</u>

Changes in net position

The City's total revenues for the current fiscal year were \$5,243,452 compared to \$4,459,719 in the prior year. Charges for services account for 32 percent of the revenues, while 30 percent of the City's revenues come from property taxes, and another 16 percent come from operating grants. Only 8 percent of the total revenues came from state shared revenue.

The total cost of the City's programs, covering a wide range of services, totaled \$4,538,725 compared to \$4,068,215 in the prior year. Approximately 29 percent of the City's expenses relate to the public safety function and 23 percent relates to the public works function. The provision of utility services accounted for approximately 28 percent of the total costs.

*Condensed financial information
Changes in net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	2019	2018	2019	2018	2019	2018
Program revenues:						
Charges for services	\$ 465,435	\$ 446,122	\$ 1,197,554	\$ 1,214,398	\$ 1,662,989	\$ 1,660,520
Grants and contributions:						
Operating	735,594	587,957	111,198	56,899	846,792	644,856
Capital	-	-	565,536	126,201	565,536	126,201
General revenues:						
Property taxes	1,566,625	1,503,042	-	-	1,566,625	1,503,042
State shared revenue	417,964	402,608	-	-	417,964	402,608
Local community stabilization	114,835	52,789	-	-	114,835	52,789
Unrestricted interest income	48,408	49,920	1,941	2,301	50,349	52,221
Franchise fees	18,362	17,482	-	-	18,362	17,482
Total revenues	<u>3,367,223</u>	<u>3,059,920</u>	<u>1,876,229</u>	<u>1,399,799</u>	<u>5,243,452</u>	<u>4,459,719</u>
Expenses:						
General government	721,039	663,798	-	-	721,039	663,798
Public safety	1,306,806	1,228,619	-	-	1,306,806	1,228,619
Public works	1,065,942	921,841	-	-	1,065,942	921,841
Community and economic development	127,353	22,744	-	-	127,353	22,744
Health and welfare	15,292	14,510	-	-	15,292	14,510
Recreation and culture	14,109	14,109	-	-	14,109	14,109
Interest	28,520	38,315	-	-	28,520	38,315
Sewer	-	-	765,222	670,077	765,222	670,077
Water	-	-	494,442	494,202	494,442	494,202
Total expenses	<u>3,279,061</u>	<u>2,903,936</u>	<u>1,259,664</u>	<u>1,164,279</u>	<u>4,538,725</u>	<u>4,068,215</u>
Transfers	<u>65,000</u>	<u>-</u>	<u>(65,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net position	<u>\$ 153,162</u>	<u>\$ 155,984</u>	<u>\$ 551,565</u>	<u>\$ 235,520</u>	<u>\$ 704,727</u>	<u>\$ 391,504</u>
Net position, end of year	<u>\$ 5,737,910</u>	<u>\$ 5,584,748</u>	<u>\$ 6,077,543</u>	<u>\$ 5,525,978</u>	<u>\$ 11,815,453</u>	<u>\$ 11,110,726</u>

Governmental activities

Governmental activities increased the City's net position by \$153,162, in the current year, compared to a \$155,984 increase in the prior year. The increase in net position was slightly lower in the current year as expenses increased by \$375,125 while revenues only increased by \$307,303; however, a \$65,000 transfer was received from the business-type activities to offset some of the increase in expenses.

Total revenues were higher primarily due to a \$147,637 increase in operating contributions and a \$63,583 increase in property taxes. The increase in operating contributions was primarily due to increased state grants for the street funds, and property taxes increased due to increases in taxable value. Total expenses increased, primarily due to a \$144,101 increase in public works expenses, related to more street maintenance costs, and a \$104,609 increase in community and economic development expenses, related to façade improvements that were financed by a federal grant.

The total cost of governmental activities this year was \$3,279,061. After subtracting the direct charges to those who directly benefited from the programs (\$465,435) and operating grants (\$735,594), the "public benefit" portion covered by property taxes, state shared revenue, and other general revenues was \$2,078,032.

Business-type activities

Business-type activities increased the City's net position by \$551,565 compared to an increase of \$235,520 in the prior year. The larger increase in net position was due to a \$476,430 increase in revenues and a \$95,385 increase in expenses. Revenues increased primarily due to a \$439,335 increase in capital contributions and expenses were higher as operating costs continue to increase.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,708,791, an increase of \$35,765 in comparison with the prior year. Of the total fund balances, \$69,309 (4 percent) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is either assigned (\$727,655), for budget stabilization and public safety, or restricted (\$911,827) to indicate that it is not available for new spending. The restrictions relate to public works (\$861,137), recreation and culture (\$47,556) and public safety (\$3,134).

The General Fund is the primary operating fund of the City. At the end of the fiscal year, its fund balance was \$800,098, a decrease of \$21,750. Fund balance decreased as expenditures and transfers out exceeded revenues in the current year. The primary reason for the decrease in fund balance relates to the transfer of \$76,500 to the Local Street Fund for required support for street improvements.

The Major Street Fund experienced an increase in fund balance of \$92,932, as the fund's revenues exceeded expenditures in the current year, as there were no significant street projects. The fund balance at the end of the fiscal year was \$517,868, which is restricted for future street preservation costs of the City's major streets.

The Local Street Fund experienced an increase in fund balance of \$20,919, as the fund's revenues and transfers in exceeded expenditures and transfers out, in the current year. The fund balance at the end of the fiscal year was \$260,169, which is restricted for future street preservation costs of the City's local streets.

Proprietary funds

The Sewer Fund experienced an increase in net position of \$368,574 in the current year. User fees have not been set so the fund is covering its costs, but net nonoperating revenues (\$86,712) and substantial capital contributions (\$337,341) caused the increase in net position. Total net position is \$4,096,640 at year end, of which \$1,678,331 is unrestricted.

The Water Fund experienced an increase in net position of \$182,991 in the current year, primarily due to substantial capital contributions (\$228,195). Total net position is \$1,980,903 at year end, of which \$536,134 is unrestricted.

General Fund budgetary highlights

The City amended its budget during the current year so that budgeted revenues were increased by a net amount of \$543,916, due to expected increases in almost all revenue categories. Budgeted expenditures were increased by a net amount of \$542,961 to reflect changes that occurred over the course of the year.

Total actual revenues were \$689,077 less than budgeted, primarily because charges for services were \$616,666 less than budgeted.

Total actual expenditures were \$646,027 less than the amounts appropriated. The largest variance was experienced in the public safety function where expenditures were \$434,973 less than budgeted as fire department costs were lower than budgeted.

These variances, along with a \$31,825 negative variance associated with net other financing uses, resulted in a \$74,875 negative budget variance, with a \$21,750 decrease in fund balance compared to a budgeted increase of \$53,125.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$11,015,653 (net of accumulated depreciation). This investment includes a broad range of assets, such as land, buildings, street infrastructure, police and fire equipment, and sewer and water facilities. The decrease in the City's net investment in capital assets for the current fiscal year was \$124,123 as additions (\$543,927) were lower than depreciation (\$668,050).

The major capital asset events during the fiscal year included the following:

- Street infrastructure improvements were started at a cost of \$262,326
- Rescue equipment was purchased for the Fire Department at cost of \$184,160
- A police vehicle was acquired at a cost of \$38,395

The Downtown Development Authority (a discretely presented component unit) reported capital assets of \$450,194, as of year end, which represents a decrease of \$23,262 due to the current year depreciation provision. The Authority purchased no capital assets during the current fiscal year.

More detailed information about the City's capital assets is presented in Note 5 of the notes to the basic financial statements.

Debt

At the end of the fiscal year, the City had total long-term debt outstanding in the amount of \$1,514,606, which represents a net decrease of \$430,555. The City issued new debt during the year, in the amount of \$1,167,708, to refund bonds to reduce future interest costs. The City's debt was reduced by \$1,598,263, due to the refunding (\$1,118,670), timely principal payments (\$476,812), and amortization of a bond premium (\$2,781).

Other long-term obligations, totaling \$108,102, represent accrued compensated absences. The City also recognized a net pension liability, associated with its defined benefit pension plan, in the amount of \$2,931,081.

The Downtown Development Authority (a discretely presented component unit) reported long-term debt outstanding of \$1,071,062, as of year end, which represents a net decrease of \$87,668.

More detailed information about the City's long-term debt is presented in Note 7 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's 2020 fiscal year budget does not anticipate significant changes in the amounts or composition of its major revenue sources. The City has budgeted expenditures for the upcoming year at amounts sufficient to support its ongoing programs and activities, while maintaining the current levels of its resources.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Cheri Parrish, Finance Director
City of Wayland
103 South Main Street
Wayland, MI 49348

Phone: (269) 792-2265

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

June 30, 2019

	Primary government			Component unit
	Governmental activities	Business-type activities	Totals	Downtown Development Authority
ASSETS				
Current assets:				
Cash	\$ 2,116,740	\$ 2,281,800	\$ 4,398,540	\$ 142,562
Receivables	310,932	545,522	856,454	-
Total current assets	2,427,672	2,827,322	5,254,994	142,562
Noncurrent assets:				
Capital assets not being depreciated	1,153,638	319,730	1,473,368	-
Depreciable capital assets, net of depreciation	4,935,752	4,606,533	9,542,285	450,194
Total noncurrent assets	6,089,390	4,926,263	11,015,653	450,194
Total assets	8,517,062	7,753,585	16,270,647	592,756
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on bond refunding, net	-	1,752	1,752	-
Deferred pension amounts	474,325	132,477	606,802	-
Total deferred outflows of resources	474,325	134,229	608,554	-
LIABILITIES				
Current liabilities:				
Payables	438,418	71,541	509,959	13,816
Unearned revenue	-	-	-	67,300
Current portion of bonds and notes payable	52,937	273,720	326,657	110,209
Total current liabilities	491,355	345,261	836,616	191,325
Noncurrent liabilities:				
Compensated absences	72,472	35,630	108,102	-
Net pension liability	2,291,166	639,915	2,931,081	-
Bonds and notes payable	398,484	789,465	1,187,949	960,853
Total noncurrent liabilities	2,762,122	1,465,010	4,227,132	960,853
Total liabilities	3,253,477	1,810,271	5,063,748	1,152,178
NET POSITION				
Net investment in capital assets	5,637,969	3,863,078	9,501,047	-
Restricted for:				
Public safety	3,134	-	3,134	-
Public works	861,137	-	861,137	-
Recreation and culture	47,556	-	47,556	-
Unrestricted (deficit)	(811,886)	2,214,465	1,402,579	(559,422)
Total net position	\$ 5,737,910	\$ 6,077,543	\$ 11,815,453	\$ (559,422)

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended June 30, 2019

Functions/Programs	Program revenues				Net (expenses) revenues and changes in net position			Component unit Downtown Development Authority
	Expenses	Program revenues			Primary government			
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Totals	
Primary government:								
Governmental activities:								
General government	\$ 721,039	\$ 90,432	\$ 37,741	\$ -	\$ (592,866)	\$ (592,866)		
Public safety	1,306,806	366,423	1,595	-	(938,788)	(938,788)		
Public works	1,065,942	4,680	597,797	-	(463,465)	(463,465)		
Community and economic development	127,353	3,900	98,461	-	(24,992)	(24,992)		
Health and welfare	15,292	-	-	-	(15,292)	(15,292)		
Recreation and culture	14,109	-	-	-	(14,109)	(14,109)		
Interest on long-term debt	28,520	-	-	-	(28,520)	(28,520)		
Total governmental activities	<u>3,279,061</u>	<u>465,435</u>	<u>735,594</u>	<u>-</u>	<u>(2,078,032)</u>	<u>(2,078,032)</u>		
Business-type activities:								
Sewer	765,222	714,099	111,198	337,341	\$ 397,416	397,416		
Water	494,442	483,455	-	228,195	217,208	217,208		
Total business-type activities	<u>1,259,664</u>	<u>1,197,554</u>	<u>111,198</u>	<u>565,536</u>	<u>-</u>	<u>614,624</u>	<u>614,624</u>	
Total primary government	<u>\$ 4,538,725</u>	<u>\$ 1,662,989</u>	<u>\$ 846,792</u>	<u>\$ 565,536</u>	<u>(2,078,032)</u>	<u>614,624</u>	<u>(1,463,408)</u>	
Component unit:								
Downtown Development Authority	<u>\$ 349,784</u>	<u>\$ -</u>	<u>\$ 71,181</u>	<u>\$ -</u>			<u>\$ (278,603)</u>	
General revenues:								
Property taxes					1,566,625	-	1,566,625	298,460
State shared revenue					417,964	-	417,964	-
Local community stabilization revenue					114,835	-	114,835	-
Franchise fees					48,408	-	48,408	-
Unrestricted interest income					18,362	1,941	20,303	269
Transfers					65,000	(65,000)	-	-
Total general revenues and transfers					<u>2,231,194</u>	<u>(63,059)</u>	<u>2,168,135</u>	<u>298,729</u>
Changes in net position					153,162	551,565	704,727	20,126
Net position (deficit) - beginning					<u>5,584,748</u>	<u>5,525,978</u>	<u>11,110,726</u>	<u>(579,548)</u>
Net position (deficit) - ending					<u>\$ 5,737,910</u>	<u>\$ 6,077,543</u>	<u>\$ 11,815,453</u>	<u>\$ (559,422)</u>

See notes to financial statements

BALANCE SHEET - governmental funds

June 30, 2019

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS					
Cash	\$ 790,154	\$ 460,391	\$ 459,939	\$ 123,891	\$ 1,834,375
Receivables	189,240	58,772	18,255	44,665	310,932
Due from other funds	25,570	-	-	-	25,570
Total assets	<u>\$ 1,004,964</u>	<u>\$ 519,163</u>	<u>\$ 478,194</u>	<u>\$ 168,556</u>	<u>\$ 2,170,877</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	\$ 204,866	\$ 1,295	\$ 218,025	\$ 12,330	\$ 436,516
Due to other funds	-	-	-	25,570	25,570
Total liabilities	<u>204,866</u>	<u>1,295</u>	<u>218,025</u>	<u>37,900</u>	<u>462,086</u>
Fund balances:					
Restricted for:					
Public safety	3,134	-	-	-	3,134
Public works	-	517,868	260,169	83,100	861,137
Recreation and culture	-	-	-	47,556	47,556
Assigned for stabilization	660,000	-	-	-	660,000
Assigned for public safety	67,655	-	-	-	67,655
Unassigned	69,309	-	-	-	69,309
Total fund balances	<u>800,098</u>	<u>517,868</u>	<u>260,169</u>	<u>130,656</u>	<u>1,708,791</u>
Total liabilities and fund balances	<u>\$ 1,004,964</u>	<u>\$ 519,163</u>	<u>\$ 478,194</u>	<u>\$ 168,556</u>	<u>\$ 2,170,877</u>

Reconciliation of the balance sheet to the statement of net position:

Total fund balance - total governmental funds \$ 1,708,791

Amounts reported for *governmental activities* in the statement of net position (page 12) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 5,684,483

Deferred outflows of resources, related to the pension plan, relate to future years and are not reported in the funds. 460,363

Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. (72,472)

Interest payable, related to long-term liabilities, is not due and payable in the current period and, therefore, is not reported in the funds. (1,100)

The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds. (2,223,726)

Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds. (440,903)

The internal service fund is used by management to charge costs of equipment to individual funds. The assets and liabilities of the internal service fund are included in *governmental activities* in the statement of net position. 622,474

Net position of *governmental activities* \$ 5,737,910

City of Wayland

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds

Year ended June 30, 2019

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES					
Property taxes	\$ 1,605,654	\$ -	\$ -	\$ -	\$ 1,605,654
Licenses and permits	110,211	-	-	-	110,211
State grants	534,394	337,668	156,896	100,979	1,129,937
Contribution from local unit	-	-	-	97,289	97,289
Charges for services	291,121	-	-	-	291,121
Fines and forfeitures	595	-	-	-	595
Interest and rentals	27,478	2,221	1,110	218	31,027
Other	119,719	-	-	3,425	123,144
	<u>2,689,172</u>	<u>339,889</u>	<u>158,006</u>	<u>201,911</u>	<u>3,388,978</u>
EXPENDITURES					
Current:					
General government	578,090	-	-	-	578,090
Public safety	1,173,597	-	-	-	1,173,597
Public works	497,444	99,548	347,587	80,911	1,025,490
Community and economic development	28,892	-	-	98,461	127,353
Health and welfare	15,292	-	-	-	15,292
Debt service:					
Principal	93,051	518,028	-	-	611,079
Interest and fees	-	30,130	-	-	30,130
Capital outlay	256,931	-	-	-	256,931
	<u>2,643,297</u>	<u>647,706</u>	<u>347,587</u>	<u>179,372</u>	<u>3,817,962</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	<u>45,875</u>	<u>(307,817)</u>	<u>(189,581)</u>	<u>22,539</u>	<u>(428,984)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	8,875	-	215,500	-	224,375
Transfers out	(76,500)	(89,000)	(5,000)	(78,875)	(249,375)
Loan proceeds - refunding bonds	-	489,749	-	-	489,749
	<u>(67,625)</u>	<u>400,749</u>	<u>210,500</u>	<u>(78,875)</u>	<u>464,749</u>
NET CHANGES IN FUND BALANCES					
	(21,750)	92,932	20,919	(56,336)	35,765
FUND BALANCES - BEGINNING					
	<u>821,848</u>	<u>424,936</u>	<u>239,250</u>	<u>186,992</u>	<u>1,673,026</u>
FUND BALANCES - ENDING					
	<u>\$ 800,098</u>	<u>\$ 517,868</u>	<u>\$ 260,169</u>	<u>\$ 130,656</u>	<u>\$ 1,708,791</u>

See notes to financial statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds (Continued)

Year ended June 30, 2019

Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:

Net change in fund balance - total governmental funds (page 15) \$ 35,765

Amounts reported for *governmental activities* in the statement of activities (page 13) are different because:

Capital assets:

Capital asset acquisitions	484,881
Provision for depreciation	(388,149)

Long-term debt:

Principal payments	611,079
Proceeds from debt issuance	(489,749)

Changes in other liabilities:

Net increase in compensated absences	(30,897)
Net decrease in interest payable	2,200
Net increase in net pension liability	(559,096)

Changes in deferred outflows and inflows of resources:

Net change in deferred outflows of resources related to pension	(21,363)
Net change in deferred inflows of resources related to pension	401,470

Certain changes in net position of the internal service fund are reported with *governmental activities* in the statement of activities.

107,021

Change in net position of *governmental activities*

\$ 153,162

STATEMENT OF NET POSITION - *proprietary funds*

June 30, 2019

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
ASSETS				
Current assets:				
Cash	\$ 1,649,805	\$ 631,995	\$ 2,281,800	\$ 282,365
Receivables	336,574	208,948	545,522	-
Total current assets	1,986,379	840,943	2,827,322	282,365
Noncurrent assets:				
Land	275,730	44,000	319,730	-
Depreciable capital assets, net of depreciation	2,819,292	1,787,241	4,606,533	404,907
Total noncurrent assets	3,095,022	1,831,241	4,926,263	404,907
Total assets	5,081,401	2,672,184	7,753,585	687,272
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on bond refunding, net	1,752	-	1,752	-
Deferred pension amounts	62,630	69,847	132,477	13,962
Total deferred outflows of resources	64,382	69,847	134,229	13,962
LIABILITIES				
Current liabilities:				
Payables	52,088	19,453	71,541	802
Bonds, notes, and loans payable	236,538	37,182	273,720	10,518
Total current liabilities	288,626	56,635	345,261	11,320
Noncurrent liabilities:				
Compensated absences	17,815	17,815	35,630	-
Net pension liability	302,527	337,388	639,915	67,440
Bonds, notes, and loans payable	440,175	349,290	789,465	-
Total noncurrent liabilities	760,517	704,493	1,465,010	67,440
Total liabilities	1,049,143	761,128	1,810,271	78,760
NET POSITION				
Net investment in capital assets	2,418,309	1,444,769	3,863,078	394,389
Unrestricted	1,678,331	536,134	2,214,465	228,085
Total net position	\$ 4,096,640	\$ 1,980,903	6,077,543	\$ 622,474

See notes to financial statements

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - proprietary funds

Year ended June 30, 2019

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
OPERATING REVENUES				
Charges for services	\$ 714,099	\$ 483,455	\$ 1,197,554	\$ 163,786
OPERATING EXPENSES				
Sewer	612,769	-	612,769	-
Water	-	381,688	381,688	-
Cost of interfund services provided	-	-	-	80,727
Depreciation	126,809	87,644	214,453	65,448
Total operating expenses	739,578	469,332	1,208,910	146,175
OPERATING INCOME (LOSS)	(25,479)	14,123	(11,356)	17,611
NONOPERATING REVENUES (EXPENSES)				
State grant	111,198	-	111,198	-
Interest income	1,158	783	1,941	-
Interest expense and fees	(25,644)	(25,110)	(50,754)	(590)
Net nonoperating revenues (expenses)	86,712	(24,327)	62,385	(590)
INCOME (LOSS) BEFORE CONTRIBUTIONS	61,233	(10,204)	51,029	17,021
CAPITAL CONTRIBUTIONS	337,341	228,195	565,536	-
INCOME BEFORE TRANSFERS	398,574	217,991	616,565	17,021
TRANSFERS	(30,000)	(35,000)	(65,000)	90,000
CHANGES IN NET POSITION	368,574	182,991	551,565	107,021
NET POSITION - BEGINNING	3,728,066	1,797,912	5,525,978	515,453
NET POSITION - ENDING	\$ 4,096,640	\$ 1,980,903	\$ 6,077,543	\$ 622,474

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds

Year ended June 30, 2019

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 536,003	\$ 366,924	\$ 902,927	\$ -
Receipts from interfund services provided	-	-	-	163,786
Payments to vendors and suppliers	(380,920)	(131,409)	(512,329)	(65,866)
Payments to employees	(159,726)	(185,464)	(345,190)	(13,956)
Payments for interfund services used	(16,222)	(13,962)	(30,184)	-
Net cash provided by (used in) operating activities	(20,865)	36,089	15,224	83,964
CASH FLOWS FROM NONCAPITAL RELATED FINANCING ACTIVITIES				
State grant	91,746	-	91,746	-
Interfund transfers	(30,000)	(35,000)	(65,000)	90,000
Net cash provided by (used in) noncapital and related financing activities	61,746	(35,000)	26,746	90,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	337,341	228,195	565,536	-
Acquisition of capital assets	-	-	-	(59,046)
Principal payments on capital debt	(234,359)	(30,223)	(264,582)	(41,862)
Interest payments on capital debt	(28,911)	(26,410)	(55,321)	(590)
Net cash provided by (used in) capital and related financing activities	74,071	171,562	245,633	(101,498)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	1,158	783	1,941	-
NET INCREASE (DECREASE) IN CASH	116,110	173,434	289,544	72,466
CASH - BEGINNING	1,533,695	458,561	1,992,256	209,899
CASH - ENDING	\$ 1,649,805	\$ 631,995	\$ 2,281,800	\$ 282,365

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds (Continued)

Year ended June 30, 2019

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (25,479)	\$ 14,123	\$ (11,356)	\$ 17,611
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	126,809	87,644	214,453	65,448
Changes in assets and liabilities:				
Receivables	(178,096)	(116,531)	(294,627)	-
Deferred outflows - pension	(43,386)	(48,138)	(91,524)	(8,879)
Payables	13,984	7,036	21,020	529
Compensated absences	3,083	3,083	6,166	-
Pension liability	91,279	99,091	190,370	11,647
Deferred inflows - pension	(9,059)	(10,219)	(19,278)	(2,392)
Net cash provided by (used in) operating activities	<u>\$ (20,865)</u>	<u>\$ 36,089</u>	<u>\$ 15,224</u>	<u>\$ 83,964</u>

See notes to financial statements

STATEMENT OF ASSETS AND LIABILITIES - Agency Fund

June 30, 2019

ASSETS

Cash \$ 8,109

LIABILITIES

Due to other governmental units \$ 8,109

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Wayland, Michigan (the City), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting entity:

As required by generally accepted accounting principles, these financial statements present the City (the primary government), located in Allegan County, and its component unit described below, for which the City is financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

Discretely presented component unit:

Wayland Downtown Development Authority - The Downtown Development Authority (the Authority) was established, pursuant to Public Act 197 of 1975, as amended, to correct and prevent deterioration and promote economic growth within the downtown district. The Authority is fiscally dependent on the City because the City Council appoints the Authority's governing body and approves its budget. The City is also obligated to provide some of its tax revenues to the Authority, through tax increment financing, which represents a financial burden on the City. Fiscal dependence and the financial burden relationship make the City financially accountable for the Authority and require the City to report it in the City's financial statements. Separate financial statements of the Authority have not been issued as management believes these financial statements, including disclosures, contain complete information to constitute a fair presentation of the component unit.

Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

Measurement focus, basis of accounting and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting and financial statement presentation (continued):

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the City generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund, a special revenue fund, accounts for state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the City's major streets.

The Local Street Fund, a special revenue fund, accounts for state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the City's local streets.

The City reports the following major enterprise funds:

The Sewer Fund accounts for the operation of the City's sanitary sewer collection system and wastewater treatment facilities.

The Water Fund accounts for the operation of the City's water mains, pumping, and storage facilities.

Additionally, the City reports the following fund types:

The special revenue funds are used to account for the specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

The Internal Service Fund accounts for vehicle and equipment services provided to other departments of the City on a cost-reimbursement basis.

The Agency Fund accounts for the collection and disbursement of property taxes for the City and other governmental units.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting and financial statement presentation (continued):

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, deferred outflows of resources, liabilities, and net position or equity:

Cash - Cash is considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables - In general, outstanding balances between funds are reported as “due to/from other funds.” No allowance for uncollectible accounts has been recorded, as the City considers all receivables to be fully collectible. No allowance for uncollectible accounts has been recorded, as the City considers all receivables to be fully collectible.

Capital assets - Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., streets and sidewalks), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$5,000 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 acquisition value as of the date received. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The City has elected to account for infrastructure assets prospectively, beginning July 1, 2003.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Streets	15 -20 years
Sewer and water systems	50 years
Equipment	3 - 20 years

Deferred outflows of resources - The statement of net position and the proprietary funds statement of net position include a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The related expense will not be recognized until a future event occurs. The City has two items that are included in this category: a deferred amount arising from the refunding of bonds in a previous year and deferred amounts relating to the defined benefit pension plan. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. The deferred amounts relating to the pension plan are discussed in Note 8. No deferred outflows of resources affect the governmental funds financial statements.

Compensated absences - It is the City’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the City. Vested compensated absences are accrued when earned in the government-wide and proprietary funds financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, and net position or equity (continued):

Pension - For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net position - Net position represents the difference between assets and deferred outflows of resources, less liabilities. The City reports three categories of net position, as follows: (1) *Net investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets, and increases by balances of deferred outflows of resources related to those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the City's debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the City.

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

Fund equity - Governmental funds report restricted fund balance when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The City Council retains the authority to assign fund balance as to purpose. Unassigned fund balance is the residual classification for the General Fund. When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City's policy to use the restricted fund balance first, followed by assigned fund balance and, finally, unassigned fund balance.

Property tax revenue recognition - Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before September 15, at which time the bill becomes delinquent and penalties and interest may be assessed by the City. Property tax revenue is recognized in the year for which taxes have been levied and become available. The City's levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the City’s general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the City Council is the activity level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations - The following schedule sets forth reportable budget variances:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
<i>Primary government:</i>					
General	Public safety	Code inspections	\$ 9,719	\$ 24,884	\$ 15,165
	Other financing uses	Transfers out	35,800	76,500	40,700
Major Street	Debt service	Interest	9,563	30,130	20,567
<i>Component unit:</i>					
Downtown Development Authority	Debt service	Interest	25,229	56,389	31,160

NOTE 3 - CASH

Cash as of June 30, 2019, is classified in the accompanying financial statements as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total primary government</u>	<u>Agency fund</u>	<u>Component unit</u>	<u>Totals</u>
Deposits - unrestricted	\$ 2,116,515	\$ 2,281,750	\$ 4,398,265	\$ 8,109	\$ 142,562	\$ 4,548,936
Cash on hand	225	50	275	-	-	275
	<u>\$ 2,116,740</u>	<u>\$ 2,281,800</u>	<u>\$ 4,398,540</u>	<u>\$ 8,109</u>	<u>\$ 142,562</u>	<u>\$ 4,549,211</u>

Deposits - Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) and the City’s investment policy authorize the City to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The City’s deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the City will not be able to recover its deposits. The City’s investment policy does not specifically address custodial credit risk for deposits. At June 30, 2019, \$3,821,626 of the City’s bank balances of \$4,587,646 was exposed to custodial credit risk because it was uninsured and uncollateralized. The City maintains individual and pooled cash accounts for all of its funds and its component unit. Due to the use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and its component unit.

NOTE 4 - RECEIVABLES

Receivables as of June 30, 2019, for the City's major funds, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Taxes</u>	<u>Totals</u>
Governmental:				
General	\$ 32,896	\$ 109,338	\$ 47,006	\$ 189,240
Major Street	-	58,772	-	58,772
Local Street	-	18,255	-	18,255
Nonmajor	-	44,665	-	44,665
Total governmental	<u>\$ 32,896</u>	<u>\$ 231,030</u>	<u>\$ 47,006</u>	<u>\$ 310,932</u>
Proprietary:				
Sewer	\$ 313,606	\$ 22,968	\$ -	\$ 336,574
Water	208,948	-	-	208,948
Total proprietary	<u>\$ 522,554</u>	<u>\$ 22,968</u>	<u>\$ -</u>	<u>\$ 545,522</u>

NOTE 5 - CAPITAL ASSETS

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

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 891,312	\$ -	\$ -	\$ 891,312
Construction in progress	<u>-</u>	<u>262,326</u>	<u>-</u>	<u>262,326</u>
Total capital assets not being depreciated	<u>891,312</u>	<u>262,326</u>	<u>-</u>	<u>1,153,638</u>
Capital assets being depreciated:				
Buildings	982,641	-	-	982,641
Improvements	1,071,718	-	-	1,071,718
Equipment	1,074,350	243,206	-	1,317,556
Vehicles	2,575,575	38,395	-	2,613,970
Infrastructure	<u>17,602,702</u>	<u>-</u>	<u>-</u>	<u>17,602,702</u>
Subtotal	<u>23,306,986</u>	<u>281,601</u>	<u>-</u>	<u>23,588,587</u>
Less accumulated depreciation for:				
Buildings	(563,305)	(20,594)	-	(583,899)
Improvements	(420,042)	(32,127)	-	(452,169)
Equipment	(805,335)	(56,485)	-	(861,820)
Vehicles	(2,256,848)	(35,417)	-	(2,292,265)
Infrastructure	<u>(14,153,708)</u>	<u>(308,974)</u>	<u>-</u>	<u>(14,462,682)</u>
Subtotal	<u>(18,199,238)</u>	<u>(453,597)</u>	<u>-</u>	<u>(18,652,835)</u>
Total capital assets being depreciated, net	<u>5,107,748</u>	<u>(171,996)</u>	<u>-</u>	<u>4,935,752</u>
Governmental activities capital assets, net	<u>\$ 5,999,060</u>	<u>\$ 90,330</u>	<u>\$ -</u>	<u>\$ 6,089,390</u>

NOTE 5 - CAPITAL ASSETS (Continued)

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Business-type activities:				
Capital assets not being depreciated - land	\$ 319,730	\$ -	\$ -	\$ 319,730
Capital assets being depreciated:				
Sewer system	6,113,237	-	-	6,113,237
Water system	3,408,917	-	-	3,408,917
Subtotal	<u>9,522,154</u>	<u>-</u>	<u>-</u>	<u>9,522,154</u>
Less accumulated depreciation for:				
Sewer system	(3,167,136)	(126,809)	-	(3,293,945)
Water system	(1,534,032)	(87,644)	-	(1,621,676)
Subtotal	<u>(4,701,168)</u>	<u>(214,453)</u>	<u>-</u>	<u>(4,915,621)</u>
Total capital assets being depreciated, net	<u>4,820,986</u>	<u>(214,453)</u>	<u>-</u>	<u>4,606,533</u>
Business-type activities capital assets, net	<u>\$ 5,140,716</u>	<u>\$ (214,453)</u>	<u>\$ -</u>	<u>\$ 4,926,263</u>
Component unit - Downtown Development Authority:				
Capital assets being depreciated - Infrastructure	\$ 526,708	\$ -	\$ -	\$ 526,708
Less accumulated depreciation for - Infrastructure	<u>(53,252)</u>	<u>(23,262)</u>	<u>-</u>	<u>(76,514)</u>
Component unit capital assets, net	<u>\$ 473,456</u>	<u>\$ (23,262)</u>	<u>\$ -</u>	<u>\$ 450,194</u>

Depreciation expense was charged to governmental functions of the City as follows:

Governmental activities:	
General government	\$ 89,161
Public safety	34,515
Public works	250,364
Recreation and culture	14,109
Internal Service Fund	<u>65,448</u>
Total governmental activities	<u>\$ 453,597</u>

NOTE 6 - PAYABLES

Payables as of June 30, 2019, for the City’s individual major funds and nonmajor funds, in the aggregate, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
<i>Primary government:</i>				
Governmental:				
General	\$ 119,609	\$ 85,257	\$ -	\$ 204,866
Major Street	311	984	-	1,295
Local Street	215,739	2,286	-	218,025
Nonmajor	<u>11,832</u>	<u>498</u>	-	<u>12,330</u>
Total governmental	<u>\$ 347,491</u>	<u>\$ 89,025</u>	<u>\$ -</u>	<u>\$ 436,516</u>
Proprietary:				
Enterprise:				
Sewer	\$ 41,839	\$ 5,549	\$ 4,700	\$ 52,088
Water	<u>11,316</u>	<u>6,237</u>	<u>1,900</u>	<u>19,453</u>
Total proprietary	53,155	11,786	6,600	71,541
Internal service	<u>429</u>	<u>373</u>	-	<u>802</u>
Total proprietary funds	<u>\$ 53,584</u>	<u>\$ 12,159</u>	<u>\$ 6,600</u>	<u>\$ 72,343</u>
<i>Component unit:</i>				
Downtown Development Authority	<u>\$ 259</u>	<u>\$ 557</u>	<u>\$ -</u>	<u>\$ 816</u>

NOTE 7 - LONG-TERM DEBT

Long-term debt at June 30, 2019, is comprised of the following issues:

<i>Primary government:</i>	
Governmental activities:	
Bonds and note:	
\$1,905,000 2018 Refunding bonds; payable in annual installments ranging from \$160,000 to \$215,000, plus interest at 3.03%; final payment due June 2028	\$ 440,903
\$83,500 2018 Installment purchase agreement; payable in quarterly installments of \$10,613, including interest at 1.68%; final payment due October 2019	<u>10,518</u>
Total bonds and note	451,421
Compensated absences	<u>72,472</u>
Total governmental activities long-term debt	<u>\$ 523,893</u>

NOTE 7 - LONG-TERM DEBT (Continued)

Primary government (continued):

Business-type activities:

Bonds:

\$1,905,000 2018 Refunding bonds; payable in annual installments ranging from \$160,000 to \$215,000, plus interest at 3.03%; final payment due June 2028 \$ 610,341

\$1,930,000 2012 Refunding bonds; payable in annual installments ranging from \$180,000 to \$235,000, plus interest at 2.00% to 2.50%; final payment due October 2020 450,000

1,060,341

Net unamortized premiums 2,844

Total bonds 1,063,185

Compensated absences 35,630

Total business-type activities long-term debt \$ 1,098,815

Component unit - Downtown Development Authority:

\$1,905,000 2018 Refunding bonds; payable in annual installments ranging from \$160,000 to \$215,000, plus interest at 3.03%; final payment due June 2028 \$ 663,756

\$493,750 2016 Installment purchase agreement; payable in annual installments ranging from \$44,251 to \$54,779, plus interest at 2.4%; final payment due November 2026 407,306

Total bonds and note \$ 1,071,062

Long-term debt activity for the year ended June 30, 2019, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
<i>Primary government:</i>					
Governmental activities:					
1998 MSF loan	\$ 9,128	\$ -	\$ (9,128)	\$ -	\$ -
2008 Capital improvement bonds	469,182	-	(469,182)	-	-
2018 Refunding bonds	-	489,749	(48,846)	440,903	42,419
2009 Installment purchase agreement	83,923	-	(83,923)	-	-
2017 Installment purchase agreement	<u>52,380</u>	<u>-</u>	<u>(41,862)</u>	<u>10,518</u>	<u>10,518</u>
Total bonds and notes	614,613	489,749	(652,941)	451,421	52,937
Compensated absences	<u>41,575</u>	<u>85,952</u>	<u>(55,055)</u>	<u>72,472</u>	<u>-</u>
Total governmental activities	<u>\$ 656,188</u>	<u>\$ 575,701</u>	<u>\$ (707,996)</u>	<u>\$ 523,893</u>	<u>\$ 52,937</u>

NOTE 7 - LONG-TERM DEBT (Continued)

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
<i>Primary government (continued):</i>					
Business-type activities:					
1998 MSF loan	\$ 5,435	\$ -	\$ (5,435)	\$ -	\$ -
2008 Capital improvement bonds	649,488	-	(649,488)	-	-
2018 refunding bonds	-	677,959	(67,618)	610,341	58,720
2012 Refunding bonds	<u>670,000</u>	<u>-</u>	<u>(220,000)</u>	<u>450,000</u>	<u>215,000</u>
Subtotal	1,324,923	677,959	(942,541)	1,060,341	273,720
Unamortized premiums	<u>5,625</u>	<u>-</u>	<u>(2,781)</u>	<u>2,844</u>	<u>-</u>
Total bonds and loan	1,330,548	677,959	(945,322)	1,063,185	273,720
Compensated absences	<u>22,688</u>	<u>35,090</u>	<u>(22,148)</u>	<u>35,630</u>	<u>-</u>
Total business-type activities	<u>\$ 1,353,236</u>	<u>\$ 713,049</u>	<u>\$ (967,470)</u>	<u>\$ 1,098,815</u>	<u>\$ 273,720</u>
<i>Component unit - Downtown Development Authority:</i>					
2008 Capital improvement bonds	\$ 706,330	\$ -	\$ (706,330)	\$ -	\$ -
2018 refunding bonds	-	737,292	(73,536)	663,756	63,860
2016 Installment purchase agreement	<u>452,400</u>	<u>-</u>	<u>(45,094)</u>	<u>407,306</u>	<u>46,349</u>
Total bonds and loan	1,158,730	737,292	(824,960)	1,071,062	110,209
Compensated absences	<u>1,714</u>	<u>-</u>	<u>(1,714)</u>	<u>-</u>	<u>-</u>
Total component unit	<u>\$ 1,160,444</u>	<u>\$ 737,292</u>	<u>\$ (826,674)</u>	<u>\$ 1,071,062</u>	<u>\$ 110,209</u>

Debt service requirements at June 30, 2019, excluding compensated absences, were as follows:

<u>Year ended June 30:</u>	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Component unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 52,937	\$ 13,443	\$ 273,721	\$ 26,787	\$ 110,209	\$ 29,887
2021	41,134	12,074	291,941	19,652	109,386	26,840
2022	47,561	10,828	65,839	14,989	120,201	23,825
2023	47,561	9,387	65,839	12,994	121,368	20,488
2024	46,276	7,946	64,059	10,999	120,626	17,125
2025 - 2028	<u>215,952</u>	<u>16,553</u>	<u>298,942</u>	<u>22,914</u>	<u>489,272</u>	<u>33,045</u>
Totals	<u>\$ 451,421</u>	<u>\$ 70,231</u>	<u>\$ 1,060,341</u>	<u>\$ 108,335</u>	<u>\$ 1,071,062</u>	<u>\$ 151,210</u>

All debt is secured by the full faith and credit of the City.

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Plan description:

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

Benefits provided:

The City’s defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries and covers the City’s full-time employees. Retirement benefits for eligible employees are calculated as 2.50% of the employee’s three-year final average compensation, times the employee’s years of service, with a maximum of 80% of final average compensation. Normal retirement age is 60 with early retirement at a reduced benefit at age 50, with 25 years of service, or age 55, with 15 years of service. Deferred retirement benefits vest after six years of credited service but are not paid until the date retirement would have occurred had the member remained an employee. Covered employees are not required to contribute to the plan. Benefit terms, within the parameters of MERS, are established and amended by the authority of the City Council.

Employees covered by benefit terms:

At the December 31, 2018, measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	26
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>20</u>
 Total	 <u>53</u>

Contributions:

The City is required to contribute amounts at least equal to an actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Covered employees may contribute to the plan. For the fiscal year ended June 30, 2019, City contributions ranged from 22.78% to 25.26% of monthly covered payroll. For the fiscal year ended June 30, 2019, the City contributed \$340,396 to the plan, while employees made no contributions.

Net pension liability:

The City’s net pension liability reported at June 30, 2019, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2018. The total pension liability was determined by an annual actuarial valuation as of December 31, 2018.

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial assumptions:

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.75%	in the long term
Investment rate of return	7.75%	net of investment expense, including inflation

Mortality rates were based on a blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables all with a 50 percent male and 50 percent female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50 percent male and 50 percent female blend is used to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of the 2015 Experience Study, which is the most recent actuarial experience study.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following schedule:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Global equity	55.50%	8.65%
Global fixed income	18.50%	3.76%
Real assets	13.50%	9.72%
Diversifying strategies	12.50%	7.50%

Discount rate:

The discount rate used to measure the total pension liability is 8.00% for 2018. The projection of cash flows used to determine the discount rate assumes that employer contributions will be made at the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

Changes in the net pension liability:

	<i>Increase (decrease)</i>		
	<i>Total pension liability</i>	<i>Plan fiduciary net position</i>	<i>Net pension liability</i>
	<i>(a)</i>	<i>(b)</i>	<i>(a) - (b)</i>
Balances at December 31, 2017	\$ 7,885,537	\$ 5,715,569	\$ 2,169,968
Changes for the year:			
Service cost	165,739	-	165,739
Interest	619,133	-	619,133
Difference between expected and actual experience	65,308	-	65,308
Employer contributions	-	322,223	(322,223)
Net investment income	-	(222,111)	222,111
Benefit payments, including refunds	(458,481)	(458,481)	-
Administrative expenses	-	(11,045)	11,045
Net changes	<u>391,699</u>	<u>(369,414)</u>	<u>761,113</u>
Balances at December 31, 2018	<u>\$ 8,277,236</u>	<u>\$ 5,346,155</u>	<u>\$ 2,931,081</u>

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City, calculated using the discount rate of 8.00%, as well as what the City's net pension liability would be using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate.

	<i>1% Decrease</i>	<i>Current Rate</i>	<i>1% Increase</i>
	<i>(7.00%)</i>	<i>(8.00%)</i>	<i>(9.00%)</i>
City's net pension liability	<u>\$ 3,915,207</u>	<u>\$ 2,931,081</u>	<u>\$ 2,107,798</u>

Pension plan fiduciary net position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued MERS financial report, which can be found at www.mersofmich.com. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due. Benefit payments are recognized as expenses when due and payable in accordance with benefit terms.

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

Pension expense and deferred outflows of resources related to the pension plan:

For the fiscal year ended June 30, 2019, the City recognized pension expense of \$626,473. At June 30, 2019, the City reported deferred outflows of resources, related to the pension plan, from the following sources:

<u>Source</u>	<u>Deferred outflows of resources</u>
Difference between projected and actual earnings	\$ 402,309
Difference between expected and actual experience	<u>32,771</u>
	435,080
Contributions made subsequent to the measurement date	<u>171,722</u>
Totals	<u>\$ 606,802</u>

The amount reported as deferred outflows of resources resulting from contributions made subsequent to the measurement date, in the amount of \$171,722, will be recognized as a reduction in the net pension liability in fiscal year 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources, related to the pension plan, will be recognized in pension expense as follows:

<u>Year ended</u>	<u>Deferred outflows of resources</u>
2020	\$ 145,007
2021	64,370
2022	95,364
2023	<u>130,339</u>
	<u>\$ 435,080</u>

NOTE 9 - PROPERTY TAX REVENUE

The 2018 taxable valuation of the City approximated \$107,394,000 on which ad valorem taxes levied consisted of 16.3607 mills for operating purposes, raising approximately \$1,757,000 for operating purposes. This amount is reduced by a \$205,000 tax capture for the component unit and the net amount of \$1,552,000 is recognized in the fund financial statements as property tax revenue.

NOTE 10 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A nonmajor governmental fund owes the General Fund \$25,570 at June 30, 2019, for costs paid by the General Fund that will be reimbursed in the subsequent year.

Interfund transfers occurred during the year ended June 30, 2019, as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
General	\$ 8,875	Nonmajor	\$ 8,875
		General	15,000
		Major Street	5,000
		Local Street	5,000
		Sewer	30,000
		Water	<u>35,000</u>
Motor Vehicle Pool	<u>90,000</u>		<u>90,000</u>
		General	61,500
		Major Street	84,000
		Nonmajor	<u>70,000</u>
Local Street	<u>215,500</u>		<u>215,500</u>
Totals	<u>\$ 314,375</u>		<u>\$ 314,375</u>

The transfer to the General Fund supported costs incurred to construct the splash pad. The transfers to the Motor Vehicle Pool Fund support capital asset acquisitions of that fund. The transfers to the Local Street support local street improvements in the current year.

NOTE 11 - CONSTRUCTION CODE ACT

A summary of construction code enforcement transactions for the year ended June 30, 2019, is as follows:

Revenues	\$ 103,001
Expenses	<u>105,108</u>
Deficiency of revenues over expenses	<u>\$ (2,107)</u>

NOTE 12 - RESTRICTED NET POSITION

In the government-wide statement of net position, the governmental activities report restricted net position in the amount of \$911,827. Of this amount, \$778,037 is restricted by enabling legislation for public works expenditures.

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to general liability, property and casualty, workers’ compensation, and employee health and medical claims. The risks of loss arising from general liability, building contents, workers’ compensation, employee medical, and casualty are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

NOTE 14 - CONSTRUCTION COMMITMENT

At June 30, 2019, the City had the following contractual construction commitment:

	<u>Project authorization</u>	<u>Expended through June 30, 2019</u>	<u>Committed</u>
Local street project	\$ 562,358	\$ 187,661	\$ 374,697

The street project will be funded by the Local Street (50%) and available matching funds from other City funds.

NOTE 15 - CURRENT REFUNDING OF BONDS

On October 9, 2018, the City issued \$1,905,000 limited tax general obligation limited tax refunding bonds, with an average interest rate of 3.03%, to refund \$1,825,000 of outstanding capital improvement bonds (series 2008, with average interest rates of 4.75%). The net proceeds were used to pay issuance costs of \$42,255, pay accrued interest of \$37,745, and deposit cash, in the amount of \$1,825,000, in an irrevocable trust with an escrow agent. These funds were used to call the outstanding 2008 bonds on November 8, 2018.

The City completed the refunding to reduce its total debt service payments over the next ten years by \$133,375 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of \$117,681.

NOTE 16 - PENDING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for periods beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for periods beginning after December 15, 2019. The objective of this Statement is to increase the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended June 30, 2019

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 1,747,391	\$ 1,646,090	\$ 1,605,654	\$ (40,436)
Licenses and permits	176,800	178,400	110,211	(68,189)
State grants	460,215	508,118	534,394	26,276
Charges for services	361,956	907,787	291,121	(616,666)
Fines and forfeitures	1,200	160	595	435
Interest and rentals	20,000	38,288	27,478	(10,810)
Other	66,771	99,406	119,719	20,313
Total revenues	<u>2,834,333</u>	<u>3,378,249</u>	<u>2,689,172</u>	<u>(689,077)</u>
EXPENDITURES				
General government:				
Legislative	13,675	13,675	13,135	540
Administration	465,249	554,524	483,807	70,717
Elections	44,002	42,502	37,829	4,673
Building maintenance	45,000	45,000	4,673	40,327
Assessor	32,449	44,699	38,646	6,053
Total general government	<u>600,375</u>	<u>700,400</u>	<u>578,090</u>	<u>122,310</u>
Public safety:				
Police department	818,140	874,140	802,736	71,404
Fire department	421,060	724,711	345,977	378,734
Code inspections	9,719	9,719	24,884	(15,165)
Total public safety	<u>1,248,919</u>	<u>1,608,570</u>	<u>1,173,597</u>	<u>434,973</u>
Public works:				
Public works department	486,251	526,786	497,444	29,342
Drains	725	-	-	-
Total public works	<u>486,976</u>	<u>526,786</u>	<u>497,444</u>	<u>29,342</u>

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended June 30, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
EXPENDITURES (Continued)				
Community and economic development:				
Planning	\$ 23,600	\$ 23,850	\$ 22,354	\$ 1,496
Community promotion	<u>7,000</u>	<u>7,000</u>	<u>6,538</u>	<u>462</u>
Total community and economic development	<u>30,600</u>	<u>30,850</u>	<u>28,892</u>	<u>1,958</u>
Health and welfare - ambulance service	<u>15,573</u>	<u>15,573</u>	<u>15,292</u>	<u>281</u>
Debt service:				
Principal	<u>104,313</u>	<u>113,872</u>	<u>93,051</u>	<u>20,821</u>
Interest	<u>3,357</u>	<u>3,922</u>	<u>-</u>	<u>3,922</u>
Capital outlay	<u>256,250</u>	<u>289,351</u>	<u>256,931</u>	<u>32,420</u>
Total expenditures	<u>2,746,363</u>	<u>3,289,324</u>	<u>2,643,297</u>	<u>646,027</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>87,970</u>	<u>88,925</u>	<u>45,875</u>	<u>(43,050)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(35,800)	(35,800)	(76,500)	(40,700)
Transfers in	<u>-</u>	<u>-</u>	<u>8,875</u>	<u>8,875</u>
Net other financing uses	<u>(35,800)</u>	<u>(35,800)</u>	<u>(67,625)</u>	<u>(31,825)</u>
NET CHANGES IN FUND BALANCES	52,170	53,125	(21,750)	(74,875)
FUND BALANCES - BEGINNING	<u>821,848</u>	<u>821,848</u>	<u>821,848</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 874,018</u>	<u>\$ 874,973</u>	<u>\$ 800,098</u>	<u>\$ (74,875)</u>

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended June 30, 2019

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
State grants	\$ 313,460	\$ 313,460	\$ 337,668	\$ 24,208
Interest	-	-	2,221	2,221
Total revenues	<u>313,460</u>	<u>313,460</u>	<u>339,889</u>	<u>26,429</u>
EXPENDITURES				
Public works:				
Routine maintenance	48,540	48,540	29,063	19,477
Winter maintenance	52,715	54,692	48,793	5,899
Administration	<u>25,175</u>	<u>23,198</u>	<u>21,692</u>	<u>1,506</u>
Total public works	<u>126,430</u>	<u>126,430</u>	<u>99,548</u>	<u>26,882</u>
Debt service:				
Principal	<u>38,568</u>	<u>548,846</u>	<u>518,028</u>	<u>30,818</u>
Interest and fees	<u>22,251</u>	<u>9,563</u>	<u>30,130</u>	<u>(20,567)</u>
Total expenditures	<u>187,249</u>	<u>684,839</u>	<u>647,706</u>	<u>37,133</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>126,211</u>	<u>(371,379)</u>	<u>(307,817)</u>	<u>63,562</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	500,000	489,749	(10,251)
Transfer out - Local street	(275,000)	(275,000)	(84,000)	191,000
Transfer out - Equipment fund	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(280,000)</u>	<u>220,000</u>	<u>400,749</u>	<u>180,749</u>
NET CHANGES IN FUND BALANCES	(153,789)	(151,379)	92,932	244,311
FUND BALANCES - BEGINNING	<u>424,936</u>	<u>424,936</u>	<u>424,936</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 271,147</u>	<u>\$ 273,557</u>	<u>\$ 517,868</u>	<u>\$ 244,311</u>

BUDGETARY COMPARISON SCHEDULE - Local Street Fund

Year ended June 30, 2019

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
State grants	\$ 104,000	\$ 155,980	\$ 156,896	\$ 916
Interest	-	-	1,110	1,110
Total revenues	<u>104,000</u>	<u>155,980</u>	<u>158,006</u>	<u>2,026</u>
EXPENDITURES				
Public works:				
Street preservation	550,000	550,000	262,326	287,674
Routine maintenance	42,196	42,196	34,348	7,848
Traffic services	34,735	45,992	45,992	-
Administration	18,811	7,554	4,921	2,633
Total public works	<u>645,742</u>	<u>645,742</u>	<u>347,587</u>	<u>298,155</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(541,742)</u>	<u>(489,762)</u>	<u>(189,581)</u>	<u>300,181</u>
OTHER FINANCING SOURCES (USES)				
Transfer in - General Fund	70,000	70,000	61,500	(8,500)
Transfer in - Major street	90,000	90,000	84,000	(6,000)
Transfer in - Municipal streets	115,000	115,000	70,000	(45,000)
Transfer out - Equipment fund	(5,000)	(5,000)	(5,000)	-
Total other financing sources (uses)	<u>270,000</u>	<u>270,000</u>	<u>210,500</u>	<u>(59,500)</u>
NET CHANGES IN FUND BALANCES				
	(271,742)	(219,762)	20,919	240,681
FUND BALANCES - BEGINNING				
	<u>239,250</u>	<u>239,250</u>	<u>239,250</u>	<u>-</u>
FUND BALANCES - ENDING				
	<u>\$ (32,492)</u>	<u>\$ 19,488</u>	<u>\$ 260,169</u>	<u>\$ 240,681</u>

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

Year ended June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:					
Service cost	\$ 165,739	\$ 142,998	\$ 126,283	\$ 128,419	\$ 148,892
Interest	619,133	598,688	567,685	535,576	505,186
Difference between expected and actual experience	65,308	(48,632)	88,748	(13,600)	-
Changes in assumptions	-	-	-	285,094	-
Benefit payments, including refunds	<u>(458,481)</u>	<u>(439,234)</u>	<u>(367,835)</u>	<u>(292,537)</u>	<u>(258,462)</u>
Net change in total pension liability	391,699	253,820	414,881	642,952	395,616
Total pension liability, beginning of year	<u>7,885,537</u>	<u>7,631,717</u>	<u>7,216,836</u>	<u>6,573,884</u>	<u>6,178,268</u>
Total pension liability, end of year	<u>8,277,236</u>	<u>7,885,537</u>	<u>7,631,717</u>	<u>7,216,836</u>	<u>6,573,884</u>
Plan fiduciary net position:					
Contributions - employer	322,223	241,647	227,562	232,825	243,231
Net investment income (loss)	(222,111)	685,024	549,068	(75,698)	299,481
Benefit payments, including refunds	(458,481)	(439,234)	(367,835)	(292,537)	(258,462)
Administrative expenses	<u>(11,045)</u>	<u>(10,855)</u>	<u>(10,833)</u>	<u>(10,985)</u>	<u>(11,023)</u>
Net change in plan fiduciary net position	(369,414)	476,582	397,962	(146,395)	273,227
Plan fiduciary net position, beginning of year	<u>5,715,569</u>	<u>5,238,987</u>	<u>4,841,025</u>	<u>4,987,420</u>	<u>4,714,193</u>
Plan fiduciary net position, end of year	<u>5,346,155</u>	<u>5,715,569</u>	<u>5,238,987</u>	<u>4,841,025</u>	<u>4,987,420</u>
City's net pension liability, end of year	<u>\$ 2,931,081</u>	<u>\$ 2,169,968</u>	<u>\$ 2,392,730</u>	<u>\$ 2,375,811</u>	<u>\$ 1,586,464</u>
Plan fiduciary net position as a percent of total pension liability	64.59%	72.48%	68.65%	67.08%	75.87%
Covered payroll	\$ 1,079,594	\$ 968,904	\$ 868,041	\$ 890,475	\$ 1,030,137
City's net pension liability as a percentage of covered payroll	271%	224%	276%	267%	154%

Note: This schedule is being built prospectively after the implementation of GASB 68 in fiscal year 2015.

Ultimately, ten years of data will be presented.

SCHEDULE OF CITY PENSION CONTRIBUTIONS

Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contributions	\$ 340,396	\$ 285,277	\$ 227,562	\$ 292,537	\$ 245,804	\$ 205,592	\$ 157,108	\$ 155,497	\$ 178,396	\$ 149,250
Contributions in relation to the actuarially determined contributions	<u>340,396</u>	<u>285,277</u>	<u>227,562</u>	<u>292,537</u>	<u>245,804</u>	<u>205,592</u>	<u>157,108</u>	<u>155,497</u>	<u>178,396</u>	<u>149,250</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 1,079,594</u>	<u>\$ 968,904</u>	<u>\$ 868,041</u>	<u>\$ 890,475</u>	<u>\$ 1,030,137</u>	<u>\$ 1,017,295</u>	<u>\$ 832,526</u>	<u>\$ 726,565</u>	<u>\$ 828,933</u>	<u>\$ 854,014</u>
Contributions as a percentage of covered payroll	31.53%	29.44%	26.22%	32.85%	23.86%	20.21%	18.87%	21.40%	21.52%	17.48%

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost
Amortization method	Level percentage of payroll, open
Remaining amortization period	21 years
Asset valuation method	5-year smoothed fair value asset valuation
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%, net of investment and administrative expenses, including inflation
Retirement age	Normal retirement age is 60 years
Mortality	50% Female - 50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET - nonmajor governmental funds

June 30, 2019

	<u>Special revenue funds</u>			<u>Totals</u>
	<u>Community Building and Park Improvement</u>	<u>CDGB</u>	<u>Special Road</u>	
ASSETS				
Cash	\$ 47,556	\$ -	\$ 76,335	\$ 123,891
Receivables	-	37,402	7,263	44,665
Total assets	<u>\$ 47,556</u>	<u>\$ 37,402</u>	<u>\$ 83,598</u>	<u>\$ 168,556</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Payables	\$ -	\$ 11,832	\$ 498	\$ 12,330
Due to other funds	-	25,570	-	25,570
Total liabilities	-	37,402	498	37,900
Fund balances:				
Restricted for:				
Public works	-	-	83,100	83,100
Recreation and culture	47,556	-	-	47,556
Total fund balances	47,556	-	83,100	130,656
Total liabilities and fund balances	<u>\$ 47,556</u>	<u>\$ 37,402</u>	<u>\$ 83,598</u>	<u>\$ 168,556</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended June 30, 2019

	<i>Special revenue funds</i>			<i>Totals</i>
	<i>Community Building and Park Improvement</i>	<i>CDGB</i>	<i>Special Road</i>	
REVENUES				
State grants	\$ -	\$ 98,461	\$ 2,518	\$ 100,979
Contribution from local unit	-	-	97,289	97,289
Interest	218	-	-	218
Other	-	-	3,425	3,425
Total revenues	<u>218</u>	<u>98,461</u>	<u>103,232</u>	<u>201,911</u>
EXPENDITURES				
Current:				
Public works	-	-	80,911	80,911
Community and economic development	-	98,461	-	98,461
Total expenditures	<u>-</u>	<u>98,461</u>	<u>80,911</u>	<u>179,372</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	218	-	22,321	22,539
OTHER FINANCING USES				
Transfers out	<u>(8,875)</u>	<u>-</u>	<u>(70,000)</u>	<u>(78,875)</u>
NET CHANGES IN FUND BALANCES	(8,657)	-	(47,679)	(56,336)
FUND BALANCES - BEGINNING	<u>56,213</u>	<u>-</u>	<u>130,779</u>	<u>186,992</u>
FUND BALANCES - ENDING	<u>\$ 47,556</u>	<u>\$ -</u>	<u>\$ 83,100</u>	<u>\$ 130,656</u>

BALANCE SHEET - Downtown Development Authority

June 30, 2019

ASSETS

Cash \$ 142,562

LIABILITIES AND FUND BALANCE

Liabilities:

 Payables \$ 816

 Unearned revenue 67,300

 Total liabilities 68,116

Fund balance - assigned for public works 74,446

 Total liabilities and fund balance \$ 142,562

Total fund balance \$ 74,446

Amounts reported for the *component unit* in the statement of net position (page 12) are different because:

Capital assets are not financial resources and, therefore, are not reported in the funds. 450,194

Interest payable is not due and payable in the current period and, therefore, is not reported in the fund. (13,000)

Long-term debt is not due and payable in the current period and, therefore, is not reported in the fund. (1,071,062)

Net position (deficit) of the *component unit* \$ (559,422)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND

BALANCE - Downtown Development Authority

Year ended June 30, 2019

REVENUES

Tax increment financing	\$ 298,460
State grants	39,609
Interest income	269
Other	<u>31,572</u>
Total revenues	<u>369,910</u>

EXPENDITURES

Current - public works	274,347
Debt service:	
Principal	824,960
Interest	<u>56,389</u>
Total expenditures	<u>1,155,696</u>

DEFICIENCY OF REVENUES OVER EXPENDITURES (785,786)

OTHER FINANCING SOURCES

Bond proceeds	<u>737,292</u>
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NET CHANGE IN FUND BALANCE (48,494)

FUND BALANCE - BEGINNING 122,940

FUND BALANCE - ENDING \$ 74,446

Net change in fund balance \$ (48,494)

Amounts reported for the *component unit* in the statement of activities (page 13) are different because:

Capital assets - provision for depreciation (23,262)

Long-term debt:

Principal payments	824,960
Proceeds from issuance of debt	(737,292)

Changes in other liabilities:

Decrease in compensated absences	1,714
Decrease in interest payable	<u>2,500</u>

Change in net position of *component unit* \$ 20,126

BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority

Year ended June 30, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Tax increment financing	\$ 302,650	\$ 298,460	\$ 298,460	\$ -
State grants	-	106,909	39,609	(67,300)
Interest income	100	184	269	85
Other	<u>46,000</u>	<u>39,327</u>	<u>31,572</u>	<u>(7,755)</u>
Total revenues	<u>348,750</u>	<u>444,880</u>	<u>369,910</u>	<u>(74,970)</u>
EXPENDITURES				
Public works	245,608	375,958	274,347	101,611
Debt service:				
Principal	114,180	858,828	824,960	33,868
Interest	<u>33,498</u>	<u>25,229</u>	<u>56,389</u>	<u>(31,160)</u>
Total expenditures	<u>393,286</u>	<u>1,260,015</u>	<u>1,155,696</u>	<u>104,319</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(44,536)	(815,135)	(785,786)	29,349
OTHER FINANCING SOURCES				
Bond proceeds	<u>-</u>	<u>740,000</u>	<u>737,292</u>	<u>(2,708)</u>
NET CHANGES IN FUND BALANCES	(44,536)	(75,135)	(48,494)	26,641
FUND BALANCES - BEGINNING	<u>122,940</u>	<u>122,940</u>	<u>122,940</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 78,404</u>	<u>\$ 47,805</u>	<u>\$ 74,446</u>	<u>\$ 26,641</u>

City of Wayland

**SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$1,825,000 2018 REFUNDING BONDS**

June 30, 2019

<u>Fiscal period</u>	<u>Interest requirements</u>		<u>Maturity date</u>	<u>Principal</u>	<u>Total requirements</u>
	<u>December 1</u>	<u>June 1</u>			
2020	\$ 25,982	\$ 25,983	6/1/20	\$ 165,000	\$ 216,965
2021	23,482	23,483	6/1/21	160,000	206,965
2022	21,058	21,059	6/1/22	185,000	227,117
2023	18,256	18,256	6/1/23	185,000	221,512
2024	15,453	15,453	6/1/24	180,000	210,906
2025	12,726	12,726	6/1/25	205,000	230,452
2026	9,620	9,620	6/1/26	200,000	219,240
2027	6,590	6,590	6/1/27	220,000	233,180
2028	3,257	3,257	6/1/28	215,000	221,514
	<u>\$ 136,424</u>	<u>\$ 136,427</u>		<u>\$ 1,715,000</u>	<u>\$ 1,987,851</u>
			<u>Interest</u>	<u>Principal</u>	<u>Totals</u>
Allocation by activity:					
Governmental activities			\$ 70,147	\$ 440,903	\$ 511,050
Business-type activities			97,103	610,341	707,444
Component unit (DDA)			<u>105,601</u>	<u>663,756</u>	<u>769,357</u>
			<u>\$ 272,851</u>	<u>\$ 1,715,000</u>	<u>\$ 1,987,851</u>

**SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$1,930,000 2012 SEWER REFUNDING BONDS**

June 30, 2019

<u>Fiscal period</u>	<u>Interest requirements</u>		<u>Maturity date</u>	<u>Principal</u>	<u>Total requirements</u>
	<u>October 1</u>	<u>April 1</u>			
2020	\$ 5,356	\$ 2,938	10/1/19	\$ 215,000	\$ 223,294
2021	<u>2,938</u>	<u>-</u>	10/1/20	<u>235,000</u>	<u>237,938</u>
	<u>\$ 8,294</u>	<u>\$ 2,938</u>		<u>\$ 450,000</u>	<u>\$ 461,232</u>

**SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$493,750 2016 INSTALLMENT PURCHASE AGREEMENT**

June 30, 2019

<u>Fiscal period</u>	<u>Interest</u>	<u>Principal</u>	<u>Total requirements</u>
2020	\$ 9,702	\$ 46,349	\$ 56,051
2021	8,588	47,461	56,049
2022	7,447	48,600	56,047
2023	6,278	49,767	56,045
2024	5,081	50,961	56,042
2025	3,856	52,184	56,040
2026	2,601	53,437	56,038
2027	1,316	58,547	59,863
	<u>\$ 44,869</u>	<u>\$ 407,306</u>	<u>\$ 452,175</u>

City of Wayland

**SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$83,500 2018 INSTALLMENT PURCHASE AGREEMENT**

June 30, 2019

<u><i>Fiscal period</i></u>	<u><i>Interest</i></u>	<u><i>Principal</i></u>	<u><i>Total requirements</i></u>
2020	<u>\$ 84</u>	<u>\$ 10,518</u>	<u>\$ 10,602</u>