

**NORWAY UTILITY AUTHORITY**  
AUDITED FINANCIAL STATEMENTS  
NORWAY, MICHIGAN

Fiscal Year Ended June 30, 2015

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# SCOTT R. KENNEY

*Certified Public Accountant*

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## INDEPENDENT AUDITOR'S REPORT

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

Honorable Supervisor and Township Board  
Township of Norway  
N1732 Mission Street  
Vulcan, MI 49892

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Norway Utility Authority (Authority), as of and for the year ended June 30, 2015, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Accounting Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### **Opinions**

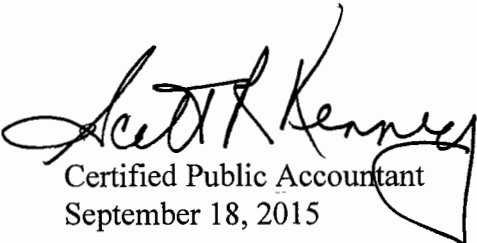
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Norway Utility Authority, as of June 30, 2015, and the respective changes in financial position and , where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

The Authority has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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. My opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

In accordance with Government Auditing Standards, I have also issued my report letter dated September 18, 2015, on my consideration of the Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with Government Accounting Standards in considering the Norway Utility Authority's internal control over financial reporting and compliance.

  
Certified Public Accountant  
September 18, 2015

FINANCIAL

STATEMENTS

NORWAY UTILITY AUTHORITY  
 GOVERNMENT WIDE STATEMENT OF FINANCIAL POSITION  
 June 30, 2015

	PRIMARY GOVERNMENT	
	GOVERNMENTAL ACTIVITIES	TOTAL
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$ 0	\$ 0
RESTRICTED ASSETS - Cash and equivalents	\$ 0	\$ 0
<b>NON-CURRENT ASSETS</b>		
Property and equipment, net of depreciation	\$ <u>0</u>	\$ <u>0</u>
<b>TOTAL ASSETS</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Due to City of Norway	\$ 0	\$ 0
Accrued interest	0	0
Current part of non-current liabilities	<u>0</u>	<u>0</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>NON-CURRENT LIABILITIES</b>		
Bonds payable	\$ <u>0</u>	\$ <u>0</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>0</u></b>	<b>\$ <u>0</u></b>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	\$ 0	\$ 0
Restricted	0	0
Unrestricted	<u>0</u>	<u>0</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u><u>0</u></u></b>	<b>\$ <u><u>0</u></u></b>

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

NORWAY UTILITY AUTHORITY  
GOVERNMENT WIDE STATEMENT OF ACTIVITIES  
Year ended June 30, 2015

FUNCTIONS/PROGRAMS	<u>EXPENSES</u>	PROGRAM REVENUES			NET REVENUE (EXPENSE) AND CHANGES IN NET ASSETS	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	TOTAL
Governmental Activities						
Interest and fees on long term debt	\$ 5,214	\$ 0	\$ 0	\$ 0	\$ (5,214)	\$ (5,214)
Other	<u>33</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(33)</u>	<u>(33)</u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>5,247</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ (5,247)	\$ (5,247)
		GENERAL REVENUES				
					\$ 132,818	\$ 132,818
					(19,053)	(19,053)
					<u>0</u>	<u>0</u>
					\$ 113,765	\$ 113,765
					\$ 108,518	\$ 108,518
					<u>(108,518)</u>	<u>(108,518)</u>
					<u>0</u>	<u>0</u>

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

NORWAY UTILITY AUTHORITY  
 GOVERNMENTAL FUNDS BALANCE SHEET  
 COMBINED BALANCE SHEET  
 June 30, 2015

	GENERAL FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS		
Cash and equivalents	\$ 0	\$ 0
Restricted assets	0	0
TOTAL ASSETS	\$ 0	\$ 0
LIABILITIES		
Due to City of Norway	\$ 0	\$ 0
Other liabilities	0	0
TOTAL LIABILITIES	\$ 0	\$ 0
FUND BALANCE		
Reserved for		
Prepaid expenses	\$ 0	\$ 0
Unreserved	0	0
TOTAL FUND EQUITY	\$ 0	\$ 0
TOTAL LIABILITIES AND FUND EQUITY	\$ 0	\$ 0

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



NORWAY UTILITY AUTHORITY  
RECONCILIATION OF BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF FINANCIAL POSITION  
June 30, 2015

Total fund balance - total governmental funds	\$	0
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds net of related depreciation		0
Annual depreciation		
Transfer of book value of assets		
Accrued interest payable not recorded on governmental financial statements		0
Long term liabilities:		
Bonds/loans not due and payable with the current period and not reported in the funds		0
NET POSITION OF GOVERNMENTAL ACTIVITIES \$		0

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

NORWAY UTILITY AUTHORITY  
 ALL GOVERNMENTAL FUND TYPES  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 Year ended June 30, 2015

	<u>GENERAL</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES		
Lease revenue	\$ 132,818	\$ 132,818
Other	<u>0</u>	<u>0</u>
TOTAL REVENUES	\$ 132,818	\$ 132,818
EXPENDITURES		
Debt service	\$ 132,818	\$ 132,818
Capital outlay	<u>0</u>	<u>0</u>
TOTAL EXPENDITURES	\$ <u>132,818</u>	\$ <u>132,818</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		
	\$ 0	\$ 0
Fund balance - beginning	<u>0</u>	<u>0</u>
FUND BALANCE - ENDING	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

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

NORWAY UTILITY AUTHORITY  
RECONCILIATION OF STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
Year ended June 30, 2015

Net change in fund balance - total governmental funds	\$	0
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures; in the Statement of Activities these costs are allocated over their estimated useful life and reported as depreciation.		(33)
Transfer of book value of assets to City of Norway		(19,053)
Repayments of bond principal is an expenditure in the governmental funds but not in the Statement of Activities (where it reduces long-term debt).		125,000
Decrease in accrued interest recorded as expenditure in governmental funds but not in the Statement of Activities (where it reduces current liabilities).		<u>2,604</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$		<u><u>108,518</u></u>

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

NOTES  
TO  
FINANCIAL  
STATEMENTS

NORWAY UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Norway Utility Authority (Authority) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Authority:

**Reporting Entity**

The Norway Utility Authority was established as a joint venture between the City of Norway and the Township of Norway to provide financing for upgrades to the sewer system to the residents of the two jurisdictions. The accompanying financial statements present the entire government since no component units exist.

The entity was dissolved during the year by action of the City of Norway and Township of Norway. The existing debt of the Authority was extinguished and the remaining assets (non-cash) were transferred by agreement to the City of Norway. The City has agreed to provide services to existing customers through its own Sewer Utility Operations.

**Basis of presentation**

**Government-Wide Financial Statements**

The government-wide statements (i.e., Statement of Financial Position and the Statement of Activities) report information on all of the activities of the Authority except for the fiduciary activities. All of the Authority's activities are considered to be governmental activities.

**Fund Based Financial Statements**

Separate financial statements are provided for on the basis of funds, each of which is considered a separate physical and accounting entity. The operations of each fund are accounted for, with a separate set of self balancing accounts that comprise of assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenue and expenditures/expenses. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental funds are provided. The various fund types are grouped in the financial statements as major or nonmajor funds. The Authority reports the following major government fund:

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

NORWAY UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

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

**Basis of Accounting**

Government-Wide Financial Statements

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

Fund Based Financial Statements

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

**Financial Statement Presentation**

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

Due to and Due from Other Funds - Since the Authority has only a General Fund, no Due to/from Other Funds are recognized.

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

Capital Assets - Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 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 estimated fair market value at the date of donation.

NORWAY UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

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

**Financial Statement Presentation (Continued)**

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

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

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

Buildings	40 years
Building Improvements	25 to 30 years
Sewer Lines	66 years
Equipment	5 years

Long-Term Debt - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. In the applicable governmental activities, proceeds from any noncurrent liabilities and payments on those liabilities are recorded as other financing sources and debt services expenditures, respectively.

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

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

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

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

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

NORWAY UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

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

**Financial Statement Presentation (Continued)**

Fund Balance Policies (Continued)

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

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

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

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

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

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

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from those estimates.

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

**NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

Public Act 275 of 1980 - The Authority's General Fund did not have an Unrestricted Net Position deficit at June 30, 2015.



NORWAY UTILITY AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

**NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

Excess of Expenditures Over Appropriations In Budgetary Funds

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

No excesses occurred during the year.

**NOTE C - DEPOSITS AND INVESTMENTS**

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

The Authority has designated one bank for the deposit of its funds. The investments policy adopted by the board in accordance with Public Act 196 of 1997, as amended, had authorized investment in any of the securities allowed under the Act. The Authority's deposits and investment policy are in accordance with statutory authority.

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

	Governmental Activities		Total Government
Cash & Cash Equivalents	\$ 0	\$	0
	\$ 0	\$	0

All of the cash and equivalents have been placed in bank accounts at the approved financial institution. The Authority bank balance is \$0.

NORWAY UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

**NOTE D - CLOSURE OF AUTHORITY**

The City of Norway and Township of Norway had elected to extinguish the existing obligations of the Authority with adequate transfers to the Authority pursuant to the existing agreement. Near the end of the fiscal year, the obligations were satisfied and the remaining assets were transferred to the City of Norway for use in their Sewer Utility Fund.

**NOTE E - CHANGES IN CAPITAL ASSETS**

Capital asset activity for the Authority for the year ended June 30, 2015 was as follows:

	Beginning	Additions	Disposals	Ending
<b>Governmental Funds</b>				
Assets not being depreciated-Land	\$ 17,600	\$ 0	\$ 17,600	0
Assets being depreciated				
Buildings	385,725	0	385,725	0
Infrastructure	4,377	0	4,377	0
Equipment	9,500	0	9,500	0
Total at Historic Cost	\$ 417,202	\$ 0	\$ 417,202	0
<b>Less Accumulated Depreciation</b>				
Buildings	\$ 385,725	\$ 0	\$ 385,725	0
Infrastructure	2,891	33	2,924	0
Equipment	9,500	0	9,500	0
Total Accumulated Depreciation	\$ 398,116	\$ 33	\$ 398,149	0
Net Governmental Funds - Capital Assets	\$ 19,086	\$ (33)	\$ 19,053	0

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

Governmental Activities	
General Government	<u>\$ 33</u>

NORWAY UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

**NOTE F - GENERAL LONG TERM DEBT**

GENERAL OBLIGATION BOND

The Norway Utilities Authority originally issued \$1,010,000 of bonds which were sold entirely to the Farmers Home Administration (now Rural Development). The proceeds were used to improve, enlarge and extend a sewer disposal system to service the City of Norway and Township of Norway, each constituent members of the Authority. The bonds, dated June 6, 1978, carry an interest rate of 5.0%. Agreements call for lease payments to be made by the City of Norway and Township of Norway to the Authority to satisfy the bond obligation for the life of the bond. The lease payments are in the amount of the bond obligations with the City's share being 61.4% and the Township's share being 38.6%.

Bonds maturing in the years 1989 to 2018, inclusive, are subject to redemption prior to maturity, in inverse numerical order, at the option of the Authority on any interest payment date on or after August 1, 1988, at par and accrued interest to the date fixed for redemption.

The obligation was paid in full on June 1, 2015.

**NOTE G - RECLASSIFICATION**

Certain reclassifications have been made in the 2014 comparative totals to conform to classifications used in 2015.

**NOTE H - RISK MANAGEMENT**

The Norway Utility Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

REQUIRED  
SUPPLEMENTAL  
INFORMATION

NORWAY UTILITY AUTHORITY  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 Year ended June 30, 2015

	<u>ORIGINAL</u>	<u>AMENDED</u>	<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>AMENDED BUDGET</u>
Beginning Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Resources (Inflows)				
Lease revenue	141,000	141,000	132,818	(8,182)
Transfers from other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 141,000	\$ 141,000	\$ 132,818	\$ (8,182)
Charges to Appropriations (Outflows)				
Debt service	\$ 141,000	\$ 141,000	\$ 132,818	\$ 8,182
Insurance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>141,000</u>	\$ <u>141,000</u>	\$ <u>132,818</u>	\$ <u>8,182</u>
BUDGETARY FUND BALANCE--ENDING	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

# SCOTT R. KENNEY

*Certified Public Accountant*

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Crystal Falls, Michigan 49920  
(906) 875-4393 Fax: (906) 875-3879

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

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

Honorable Supervisor and Township Board  
Township of Norway  
N1732 Mission Street  
Vulcan, MI 49892

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Norway Utility Authority (Authority) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued my report thereon dated September 18, 2015.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and

corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness but important enough to merit attention by those charged with governance.

## **COMPLIANCE AND OTHER MATTERS**

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

## **PURPOSE OF THE REPORT**

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

  
Certified Public Accountant

September 18, 2015