

# **VILLAGE OF PRESCOTT**

Ogemaw County, Michigan

## **FINANCIAL STATEMENTS**

June 30, 2014

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**BERTHIAUME  
& COMPANY**

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Certified Public Accountants



# VILLAGE OF PRESCOTT

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## INDEPENDENT AUDITORS' REPORT

To the Village Council  
Village of Prescott, Michigan

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Prescott as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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 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 purposes 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.

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, and each major fund of the Village of Prescott as of June 30, 2014, 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.

To the Members of the Village Council  
Village of Prescott, Michigan

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 8) and budgetary comparison information (pages 31 through 33) 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Prescott's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2014 on our consideration of the Village of Prescott's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Prescott's internal control over financial reporting and compliance.

*Bertuccio & Co.*

Saginaw, Michigan  
October 30, 2014



## ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

# VILLAGE OF PRESCOTT

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

As management of the Village of Prescott (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

### FINANCIAL HIGHLIGHTS:

- The Village's combined total net position is reported as \$682,976 for the fiscal year ended June 30, 2014, compared to \$702,103 for the fiscal year ended June 30, 2013.
- In the Village's governmental activities, revenues generated were \$101,608 while expenses totaled \$70,051.
- In the Village's business-type activities, revenues generated were \$109,795 while expenses totaled \$160,201.
- Total net position decreased by \$19,669.

### OVERVIEW OF THE FINANCIAL STATEMENTS:

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

#### Government-wide Financial Statements:

The government-wide statements are designed to provide readers with a broad overview of the Village's finances, as a whole, in a manner similar to a private sector business. The *statement of net position* presents information on all of the Village's assets, liabilities, and deferred outflows, with the difference between the two reported as net position. The *statement of activities* presents all of the Village's revenues and expenses, and is reported based on when the underlying event giving rise to the revenue or expense occurs, regardless of when cash is received or paid.

The government-wide statements of the Village of Prescott are divided into three categories:

**Governmental Activities** – Most of the Village's basic services are included here, such as the public safety, public works, recreation departments, and general administration. Property taxes, state shared revenue, and charges for services finance most of these activities.

**Business-type Activities** – The Village charges fees to customers to recover all or a significant portion of certain services it provides. These business-type activities include wastewater collection/septic receiving.

# VILLAGE OF PRESCOTT

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

### **Fund Financial Statements:**

The fund financial statements provide more detailed information about the Village's most significant funds, not the Village as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The Village has two types of funds:

**Governmental Funds** – Many of the Village's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out. The funds also show the balances left at year-end that are available for spending.

The governmental funds focus on a short-term view, rather than the long-term focus of the government-wide statements, so additional information is provided after each of the governmental fund statements that explain the relationship of differences between the fund and government-wide statements.

The Village maintains three (3) individual governmental funds. Separate information is presented for the General Fund, Major Street Fund, and Local Street Fund which are considered to be "major" funds.

The Village adopts an annual budget for each of its governmental funds. Budgetary comparison statements have been provided for major governmental funds to demonstrate compliance with those budgets.

**Proprietary Funds** – Proprietary funds are used to report services where the Village charges a fee to the customer to recover most or all of the cost of the service rendered. Proprietary funds provide both long- and short-term financial information. The two types of proprietary funds are enterprise and internal service funds. The Village has no internal service funds.

- Enterprise funds and business-type funds are the same, but the fund statements provide more detail and additional information such as cash flows. The Village's enterprise fund is the Sewer Fund.

### **Notes to the Financial Statements:**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Other Information:**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village.

# VILLAGE OF PRESCOTT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

### THE VILLAGE OF PRESCOTT AS A WHOLE:

The Village's total combined net position for the fiscal year ended June 30, 2014 is \$682,976, consisting of \$226,451 in governmental activities and \$456,525 in business-type activities.

Combined unrestricted net position, that part of net position that can be used to finance day-to-day operations, is \$35,456. Governmental activities unrestricted total is \$6,238, while business-type activities is \$29,218.

The following table shows comparisons of total assets, total liabilities, and total net position in a condensed format as of June 30, 2014 and 2013.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
<b>Assets:</b>						
Current and other assets	\$ 122,831	\$ 88,919	\$ 41,006	\$ 69,018	\$ 163,837	\$ 157,937
Capital assets	114,610	121,237	1,214,307	1,244,095	1,328,917	1,365,332
Total assets	237,441	210,156	1,255,313	1,313,113	1,492,754	1,523,269
<b>Liabilities:</b>						
Current and other liabilities	10,990	16,837	11,788	4,329	22,778	21,166
Long-term debt	-	-	787,000	800,000	787,000	800,000
Total liabilities	10,990	16,837	798,788	804,329	809,778	821,166
<b>Net position:</b>						
Net investment in capital assets	115,430	121,237	427,307	444,095	542,737	565,332
Restricted	104,783	74,636	-	-	104,783	74,636
Unrestricted (deficit)	6,238	(2,554)	29,218	64,689	35,456	62,135
Total net position	\$ 226,451	\$ 193,319	\$ 456,525	\$ 508,784	\$ 682,976	\$ 702,103

The Village's combined total net position decreased by \$19,669 during the current fiscal year. Governmental activities increased by \$32,590 while business-type activities decreased by \$52,259.

### Governmental Activities:

The Village's total governmental revenue is reported at \$101,608, an increase of \$4,499 from the prior year.

Total expenses decreased by \$84,242 from the prior year.

### Business-type Activities:

The Village's total business-type revenue is reported at \$109,795, a decrease of \$1,090 from the prior year.

Total expenses increased by \$113 from the prior year.



# VILLAGE OF PRESCOTT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

The following table shows comparison of the change in net position in a condensed format as of June 30, 2014 and 2013:

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 11,785	\$ 12,115	\$ 109,786	\$ 110,866	\$ 121,571	\$ 122,981
Operating grants	52,043	47,913	-	-	52,043	47,913
General revenues						
Property taxes	17,741	17,469	-	-	17,741	17,469
State revenue sharing	19,955	19,496	-	-	19,955	19,496
Investment earnings	84	116	9	19	93	135
Total revenues	<u>101,608</u>	<u>97,109</u>	<u>109,795</u>	<u>110,885</u>	<u>211,403</u>	<u>207,994</u>
<b>Expenses:</b>						
General government	7,630	18,235	-	-	7,630	18,235
Public works	60,449	133,810	-	-	60,449	133,810
Recreation and culture	1,972	2,169	-	-	1,972	2,169
Interest on long-term debt	-	79	-	-	-	79
Sewer	-	-	160,201	160,088	160,201	160,088
Total expenses	<u>70,051</u>	<u>154,293</u>	<u>160,201</u>	<u>160,088</u>	<u>230,252</u>	<u>314,381</u>
Excess of revenues over expenses before other items	31,557	(57,184)	(50,406)	(49,203)	(18,849)	(106,387)
<b>Other items:</b>						
Gain on sale of capital assets	(820)	-	-	-	(820)	-
Transfers	1,853	-	(1,853)	-	-	-
Net other items	<u>1,033</u>	<u>-</u>	<u>(1,853)</u>	<u>-</u>	<u>(820)</u>	<u>-</u>
<b>Change in net position</b>	<b>32,590</b>	<b>(57,184)</b>	<b>(52,259)</b>	<b>(49,203)</b>	<b>(19,669)</b>	<b>(106,387)</b>
Net position, beginning of year	<u>193,319</u>	<u>250,503</u>	<u>508,784</u>	<u>557,987</u>	<u>702,103</u>	<u>808,490</u>
Net position, end of year	<u>\$ 225,909</u>	<u>\$ 193,319</u>	<u>\$ 456,525</u>	<u>\$ 508,784</u>	<u>\$ 682,434</u>	<u>\$ 702,103</u>

### THE VILLAGE OF PRESCOTT'S FUNDS:

Presentation of the Village of Prescott's major funds begins on page 13, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. Funds are created to help manage money for specific purposes, as well as show accountability for certain activities, such as specific property tax millages and restricted receipts from Federal and State sources.

# **VILLAGE OF PRESCOTT**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2014

The General Fund is the Village's largest governmental fund and one of two governmental funds that is considered a major fund. It pays for most of the Village's government services. Its major components of revenue are property taxes and state shared revenue. For the year ended June 30, 2014, General Fund financing sources exceeded its financing uses by \$9,612, increasing its ending fund balance to \$7,058. The Village's second major governmental fund, the Major Street Fund was able to increase its ending fund balance by \$25,459. The Village's third major governmental fund, the Local Street Fund was also able to increase its ending fund balance by \$4,688.

### **General Fund Budgetary Highlights:**

The General Fund budget, as originally adopted, projected a net increase in fund balance of \$997. During the year, the Village made no budget amendments. The actual results for the year yielded an increase in fund balance of \$9,612.

### **Capital Assets and Debt Administration:**

At June 30, 2014, the Village of Prescott had \$1,328,917 invested in capital assets including land, buildings and improvements, equipment, site improvements, vehicles, sewer system and receiving facility, net of accumulated depreciation. At June 30, 2013, this total was \$1,365,332. Additional information about the Village's capital assets is presented in Note 1 and Note 5 of the Notes to the Financial Statements.

At June 30, 2014, the Village of Prescott had total long-term indebtedness of \$787,000, which was backed by specific revenue sources. Additional information about this indebtedness is presented in Note 6 of the Notes to the Financial Statements.

### **Economic Factors:**

We are continuing to plan for the long term, and will continue to balance the budgets through controls over spending, while striving to provide the Village's residents with the same level of service to which they have become accustomed.

### **Contacting the Village's Financial Management:**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village of Prescott, P.O. Box 323, Prescott, MI 48756.

## ***BASIC FINANCIAL STATEMENTS***

# VILLAGE OF PRESCOTT

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## STATEMENT OF NET POSITION

June 30, 2014

	<i><u>Governmental</u></i> <i><u>Activities</u></i>	<i><u>Business-type</u></i> <i><u>Activities</u></i>	<i><u>Total</u></i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 106,148	\$ 2,188	\$ 108,336
Receivables	14,462	41,039	55,501
Internal balances	2,221	(2,221)	-
Capital assets:			
Nondepreciable capital assets	74,327	19,073	93,400
Depreciable capital assets, net	<u>40,283</u>	<u>1,195,234</u>	<u>1,235,517</u>
Total assets	<u>237,441</u>	<u>1,255,313</u>	<u>1,492,754</u>
<b>Liabilities:</b>			
Accounts payable and accrued expenses	10,990	6,779	17,769
Unearned revenue	-	5,009	5,009
Long-term liabilities:			
Due within one year	-	13,000	13,000
Due in more than one year	<u>-</u>	<u>774,000</u>	<u>774,000</u>
Total liabilities	<u>10,990</u>	<u>798,788</u>	<u>809,778</u>
<b>Net position:</b>			
Net investment in capital assets	114,610	427,307	541,917
Restricted for:			
Streets	104,783	-	104,783
Unrestricted	<u>7,058</u>	<u>29,218</u>	<u>36,276</u>
Total net position	<u>\$ 226,451</u>	<u>\$ 456,525</u>	<u>\$ 682,976</u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF PRESCOTT

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## STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<i>Governmental activities:</i>					
General government	\$ 7,630	\$ 553	\$ -	\$ -	\$ (7,077)
Public works	60,449	11,232	52,043	-	2,826
Recreation and culture	1,972	-	-	-	(1,972)
Total governmental activities	<u>\$ 70,051</u>	<u>\$ 11,785</u>	<u>\$ 52,043</u>	<u>\$ -</u>	<u>\$ (6,223)</u>
<i>Business-type activities:</i>					
Sewer	<u>\$ 160,201</u>	<u>\$ 109,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (50,415)</u>
Total business-type activities	<u>\$ 160,201</u>	<u>\$ 109,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (50,415)</u>

continued

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF PRESCOTT

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## STATEMENT OF ACTIVITIES, CONTINUED

Year Ended June 30, 2014

	<i><u>Governmental Activities</u></i>	<i><u>Business- type Activities</u></i>	<i><u>Total</u></i>
<i>Change in net position:</i>			
Net (Expense) Revenue	\$ (6,223)	\$ (50,415)	\$ (56,638)
General revenues:			
Taxes			
Property taxes, levied for general purpose	17,741	-	17,741
Grants and contributions not restricted to specific programs	19,955	-	19,955
Unrestricted investment earnings	84	9	93
Other	542	-	542
Special item - Loss on disposal of capital asset	(820)	-	(820)
Transfers	<u>1,853</u>	<u>(1,853)</u>	<u>-</u>
Total general revenues and other items	<u>39,355</u>	<u>(1,844)</u>	<u>37,511</u>
Change in net position	33,132	(52,259)	(19,127)
Net position, beginning of year	<u>193,319</u>	<u>508,784</u>	<u>702,103</u>
Net position, end of year	<u>\$ 226,451</u>	<u>\$ 456,525</u>	<u>\$ 682,976</u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF PRESCOTT

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## GOVERNMENTAL FUNDS

### BALANCE SHEET

June 30, 2014

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Total</i>
<b>Assets:</b>				
Cash and cash equivalents	\$ 9,105	\$ 75,847	\$ 21,196	\$ 106,148
Due from other governments	6,722	6,151	1,589	14,462
Due from other funds	1,021	-	49,169	50,190
Advance receivable from other fund	1,200	-	-	1,200
Total assets	<u>\$ 18,048</u>	<u>\$ 81,998</u>	<u>\$ 71,954</u>	<u>\$ 172,000</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 10,990	\$ -	\$ -	\$ 10,990
Due to other funds	-	49,169	-	49,169
Total liabilities	<u>10,990</u>	<u>49,169</u>	<u>-</u>	<u>60,159</u>
<b>Fund balances:</b>				
Restricted for:				
Streets	-	32,829	71,954	104,783
Unassigned	7,058	-	-	7,058
Total fund balances	<u>7,058</u>	<u>32,829</u>	<u>71,954</u>	<u>111,841</u>
Total liabilities and fund balances	<u>\$ 18,048</u>	<u>\$ 81,998</u>	<u>\$ 71,954</u>	<u>\$ 172,000</u>

The accompanying notes are an integral part of these financial statements.

# **VILLAGE OF PRESCOTT**

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## **RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

June 30, 2014

**Fund balances of governmental funds** \$ 111,841

Net position reported for governmental activities in the statement of net position  
is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	159,994	
Less accumulated depreciation	<u>(45,384)</u>	<u>114,610</u>

**Net position of governmental activities** \$ 226,451

*The accompanying notes are an integral part of these financial statements.*



# VILLAGE OF PRESCOTT

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## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2014

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Total</i>
<b>Revenues:</b>				
Property taxes	\$ 17,741	\$ -	\$ -	\$ 17,741
State grants	19,955	42,391	9,652	71,998
Charges for services	11,232	-	-	11,232
Interest and rents	554	63	20	637
Other revenue	542	-	-	542
Total revenues	<u>50,024</u>	<u>42,454</u>	<u>9,672</u>	<u>102,150</u>
<b>Expenditures:</b>				
Current				
General government	7,630	-	-	7,630
Public works	31,430	18,495	4,984	54,909
Recreation and culture	1,705	-	-	1,705
Total expenditures	<u>40,765</u>	<u>18,495</u>	<u>4,984</u>	<u>64,244</u>
Excess (deficiency) of revenues over expenditures	<u>9,259</u>	<u>23,959</u>	<u>4,688</u>	<u>37,906</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	1,853	1,500	-	3,353
Transfers to other funds	(1,500)	-	-	(1,500)
Net other financing sources (uses)	<u>353</u>	<u>1,500</u>	<u>-</u>	<u>1,853</u>
Changes in fund balances	9,612	25,459	4,688	39,759
Fund balances (deficit), beginning of year	<u>(2,554)</u>	<u>7,370</u>	<u>67,266</u>	<u>72,082</u>
Fund balances, end of year	<u>\$ 7,058</u>	<u>\$ 32,829</u>	<u>\$ 71,954</u>	<u>\$ 111,841</u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF PRESCOTT

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## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Changes in fund balances of governmental funds \$ 39,759

Change in net position reported for governmental activities in the statement  
of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is depreciated over their  
estimated useful lives and reported as depreciation expense.

Capital outlay	-	
Less depreciation expense	(5,807)	
Less loss on disposal of capital assets	<u>(820)</u>	<u>(6,627)</u>

Change in net position of governmental activities \$ 33,132

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF PRESCOTT

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## PROPRIETARY FUND

### STATEMENT OF NET POSITION

June 30, 2014

	<u>Sewer Fund</u>
<b>Assets:</b>	
<b><i>Current assets:</i></b>	
Cash and cash equivalents	\$ 2,188
Accounts receivable	<u>41,039</u>
Total current assets	<u>43,227</u>
<b><i>Noncurrent assets:</i></b>	
Capital assets:	
Nondepreciable capital assets	19,073
Depreciable capital assets, net	<u>1,195,234</u>
Total noncurrent assets	<u>1,214,307</u>
Total assets	<u>1,257,534</u>
<b>Liabilities:</b>	
<b><i>Current liabilities:</i></b>	
Current portion of long-term debt	13,000
Accounts payable	2,527
Due to other funds	1,021
Accrued interest payable	4,252
Advance payable to other fund	1,200
Unearned revenue	<u>5,009</u>
Total current liabilities	<u>27,009</u>
<b><i>Noncurrent liabilities:</i></b>	
Long-term debt	<u>774,000</u>
Total noncurrent liabilities	<u>774,000</u>
Total liabilities	<u>801,009</u>
<b>Net position:</b>	
Net investment in capital assets	427,307
Unrestricted	<u>29,218</u>
Total net position	<u>\$ 456,525</u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF PRESCOTT

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## PROPRIETARY FUND

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Year Ended June 30, 2014

	<u>Sewer Fund</u>
<b>Operating revenues:</b>	
Charges for services	\$ 107,191
Penalties	2,135
Other	<u>460</u>
Total operating revenues	<u>109,786</u>
<b>Operating expenses:</b>	
Personnel costs	14,644
Fringe benefits	7,322
Supplies	11,750
Contracted services	46,586
Telephone	1,075
Utilities	23,217
Repairs and maintenance	5,808
Other services and supplies	2,928
Depreciation	<u>29,788</u>
Total operating expenses	<u>143,118</u>
Operating income (loss)	<u>(33,332)</u>
<b>Non-operating revenues (expenses):</b>	
Interest income	9
Interest expense	<u>(17,083)</u>
Net non-operating revenues (expenses)	<u>(17,074)</u>
Change in net position before transfers	(50,406)
<b>Transfer to General Fund</b>	<u>(1,853)</u>
Change in net position	(52,259)
Net position, beginning of year	<u>508,784</u>
Net position, end of year	<u>\$ 456,525</u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF PRESCOTT

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*PROPRIETARY FUND*  
**STATEMENT OF CASH FLOWS**  
Year Ended June 30, 2014

	<i><u>Sewer Fund</u></i>
<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 126,759
Payments to employees	(14,644)
Payments to suppliers	<u>(96,159)</u>
Net cash provided by operating activities	<u>15,956</u>
<b>Cash flows from non-capital financing activities:</b>	
Transfer to General Fund	<u>(1,853)</u>
<b>Cash flows from capital and related financing activities:</b>	
Principal payments on capital debt	(13,000)
Interest paid on debt	<u>(17,160)</u>
Net cash used by capital and related financing activities	<u>(30,160)</u>
<b>Cash flows from investing activities:</b>	
Interest	<u>9</u>
Net cash provided by investing activities	<u>9</u>
Net decrease in cash and cash equivalents	(16,048)
Cash and cash equivalents, beginning of year	<u>18,236</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,188</u></u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	\$ (33,332)
Adjustments:	
Depreciation	29,788
Change in assets and liabilities:	
Accounts receivable	11,964
Accounts payable	2,527
Unearned revenue	<u>5,009</u>
Net cash provided by operating activities	<u><u>\$ 15,956</u></u>

*The accompanying notes are an integral part of these financial statements.*

***NOTES TO FINANCIAL STATEMENTS***

# VILLAGE OF PRESCOTT

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of the Village of Prescott conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, these financial statements of the reporting entity include those of the Village. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. There are no component units included in the Village's reporting entity.

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

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental 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.

#### **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 primary government and its component unit. For the most part, the effect of interfund activity has been removed from these financial statements. Governmental activities, normally supported by taxes and intergovernmental revenue, 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 or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and the proprietary funds. 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 fund financial statements. Revenue is 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# VILLAGE OF PRESCOTT

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenue to be available if it is 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.

Property taxes, sales taxes, licenses, 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 and available only when cash is received by the government.

The Village reports the following major governmental funds:

**General Fund** – The General Fund is the Village’s primary operating fund. It accounts for all financial resources, except for those required to be accounted for in another fund.

**Special Revenue Fund – Major Street Fund** – The Major Street Fund accounts for the maintenance and construction of streets designated by the Michigan Department of Transportation as major streets in the Village.

**Special Revenue Fund – Local Street Fund** – The Local Street Fund accounts for the maintenance and construction of streets designated by the Michigan Department of Transportation as local streets in the Village.

The Village reports the following major proprietary funds:

**Enterprise Fund – Sewer Fund** – The Sewer Fund is used to account for the operation of the wastewater collection/septic receiving system.

#### **Assets, Liabilities and Net Position/Fund Balances:**

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

**Interfund Receivables and Payables** – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Prepaid Items** – Certain payments to vendors reflect costs applicable to future fiscal years and is recorded as prepaid expenses in both government-wide and fund financial statements.



# VILLAGE OF PRESCOTT

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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**Capital Assets** – Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are defined by the Village as assets with an individual cost in excess of \$5,000 and an estimated useful life in excess of two years. 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. Capital assets are depreciated using the straight-line method over the following useful lives:

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

Buildings and improvements	20-50 years
Equipment	5-15 years
Sewer system	50 years
Site improvements	20 years
Vehicles	5-10 years

**Compensated Absences** – It is the Village's policy to not permit employees to accumulate earned but unused sick and vacation days. Therefore, there is no liability shown in the government-wide financial statements.

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations, if any, are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position.

**Fund Balances** – In the fund financial statements, fund balance may be presented in five possible categories, each of which identifies the extent to which the Village is bound to honor constraints on the specific purpose for which amounts can be spent:

*Nonspendable* – Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

*Restricted* – Amounts that are legally restricted by outside parties, constitutional provisions or enabling legislation for use for a specific purpose.

*Committed* – Amounts that have been formally set aside by the Village Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Village Council.

*Assigned* – Amounts that are intended to be used for specific purposes expressed by the Village Council.

*Unassigned* – Amounts that do not fall into any category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

# VILLAGE OF PRESCOTT

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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**Property Taxes** – Properties are assessed as of December 31. The related property taxes are levied on the following July 1, are due on September 14, and become a lien on December 1 with the final collection date of June 30 before they are added to the county tax rolls.

The 2013 taxable valuation of the Village totaled \$3,261,850 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments), on which ad valorem taxes levied consisted of 5.3206 mills for the Village's operating purposes. The delinquent real property taxes of the Village are purchased by Ogemaw County.

#### **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. Actual results could differ from those estimates.

#### **Eliminations and Reclassifications:**

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

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### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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#### **Budgetary Information:**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all special revenue funds. Before the beginning of the next fiscal year, a proposed operating budget is submitted to the Village Council by fund. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted to obtain taxpayer comments. Prior to June 1, the budget is legally enacted by adoption of the Village Council. Any revision that alters the total expenditures of any fund must be approved by the Village Council. Formal budgetary integration is employed as a management control device during the year for all funds. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the budgeted amounts for the General Fund as well as any other major funds is included in the required supplementary information. All annual appropriations lapse at fiscal year end.

# VILLAGE OF PRESCOTT

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

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#### Excess of Expenditures over Appropriations in Budgeted Funds:

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year, the Village incurred expenditures that were in excess of the amounts budgeted, as follows:

	<i>Final Budget</i>	<i>Actual</i>	<i>Excess</i>
<b>General Fund:</b>			
Public works	\$ 28,132	\$ 31,430	\$ 3,298
Transfers to other funds	-	1,500	1,500

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### NOTE 3: DEPOSITS AND INVESTMENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures 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 that are legal for direct investment by local units of government in Michigan.

#### Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village does not have a deposit policy for custodial credit risk. At year-end, the Village had \$113,337 of bank deposits (checking, savings accounts and certificates of deposit), which was fully covered by federal depository insurance. At year end, the Village had no investments.

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### NOTE 4: BOND RESERVES

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The ordinances authorizing issuance of the 2005A and 2005B and 2008 Sewer Supply System Revenue Bonds require that specific accounts be established and monies deposited as follows:

**Bond Reserve Account** - Excess funds of up to \$1,440 per year are to be transferred to this account until \$18,000 is accumulated for the 2005 issues and \$1,700 per year until \$27,000 is accumulated for the 2008 issue.

**Repair, Replacement, and Improvement Account** – The 2005 issues require a combined reserve of \$1,200 and the 2008 issue requires a reserve of \$5,000.

At June 30, 2014, the Village's Sewer Fund had cash and cash equivalents of \$2,188. There are not sufficient funds to set aside to meet the required reserves.

# VILLAGE OF PRESCOTT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

### NOTE 5: CAPITAL ASSETS

Capital assets activity of the Village's governmental and business-type activities was as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>
<b>Governmental activities:</b>				
Nondepreciable capital assets				
Land	\$ 74,327	\$ -	\$ -	\$ 74,327
Depreciable capital assets				
Buildings and improvements	34,556	-	-	34,556
Equipment	18,044	-	(13,285)	4,759
Site improvements	1,739	-	-	1,739
Vehicles	44,613	-	-	44,613
Total depreciable capital assets	98,952	-	(13,285)	85,667
Accumulated depreciation	(52,042)	(5,807)	12,465	(45,384)
Depreciable capital assets, net	46,910	(5,807)	(820)	40,283
Governmental activities, capital assets, net	<u>\$ 121,237</u>	<u>\$ (5,807)</u>	<u>\$ (820)</u>	<u>\$ 114,610</u>
<b>Business-type activities:</b>				
Nondepreciable capital assets				
Land	\$ 19,073	\$ -	\$ -	\$ 19,073
Depreciable capital assets				
Equipment	8,950	-	-	8,950
Receiving facility	543,549	-	-	543,549
Sewer system	215,986	-	-	215,986
Site improvements	10,000	-	-	10,000
Treatment plant	660,116	-	-	660,116
Subtotal depreciable capital assets	1,438,601	-	-	1,438,601
Accumulated depreciation	(213,579)	(29,788)	-	(243,367)
Depreciable capital assets, net	1,225,022	(29,788)	-	1,195,234
Business-type activities, capital assets, net	<u>\$ 1,244,095</u>	<u>\$ (29,788)</u>	<u>\$ -</u>	<u>\$ 1,214,307</u>

Depreciation expense was charged to programs of the governmental and business-type activities as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Public works	\$ 5,540	\$ -
Recreation and culture	267	-
Sewer	-	29,788
Total depreciation	<u>\$ 5,807</u>	<u>\$ 29,788</u>

# VILLAGE OF PRESCOTT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

### NOTE 6: LONG-TERM LIABILITIES

The Village may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term liabilities at June 30, 2014 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>
<b><u>Business-type Activities</u></b>				
<b><u>Revenue Bonds:</u></b>				
2005 Issue - Series 2005A	4/1/45	4.125%	\$2,000-17,000	\$ 230,000
2005 Issue - Series 2005B (Reissuance)	10/1/52	1.875%	4,000-9,000	109,000
2008 Issue - Series 2008 (Reissuance)	10/1/52	1.875%	8,000-17,000	469,000

The following is a summary of long-term liabilities transactions for the year ended June 30, 2014:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>	<u>Due within One Year</u>
<b>Business-type activities:</b>					
<b>Revenue Bonds:</b>					
2005 Issue, Series 2005A	\$ 101,000	\$ -	\$ (1,000)	\$ 100,000	\$ 1,000
2005 Issue, Series 2005B (Reissuance)	230,000	-	(4,000)	226,000	4,000
2008 Issue (Reissuance)	469,000	-	(8,000)	461,000	8,000
Total business-type activities					
- long-term liabilities	<u>\$ 800,000</u>	<u>\$ -</u>	<u>\$ (13,000)</u>	<u>\$ 787,000</u>	<u>\$ 13,000</u>

Annual debt service requirements to maturity for the above long-term liabilities are as follows:

<u>Year Ended</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 13,000	\$ 17,008	\$ 30,008
2016	14,000	16,740	30,740
2017	14,000	16,434	30,434
2018	15,000	16,124	31,124
2019	15,000	15,800	30,800
2020-2024	79,000	74,044	153,044
2025-2029	88,000	65,154	153,154
2030-2034	98,000	54,976	152,976
2035-2039	110,000	43,496	153,496
2040-2044	123,000	30,496	153,496
2045-2049	120,000	15,818	135,818
2050-2053	98,000	4,644	102,644
	<u>\$ 787,000</u>	<u>\$ 370,734</u>	<u>\$ 1,157,734</u>

# VILLAGE OF PRESCOTT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

### NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Village's governmental and business-type activities in the aggregate are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
<b>Receivables:</b>			
Accounts	\$ -	\$ 41,039	\$ 41,039
Intergovernmental	14,462	-	14,462
Total receivables	<u>\$ 14,462</u>	<u>\$ 41,039</u>	<u>\$ 55,501</u>
<b>Accounts payable and accrued expenses:</b>			
Accounts payable	\$ 10,990	\$ 2,527	\$ 13,517
Accrued interest	-	4,252	4,252
Total accounts payable and accrued expenses	<u>\$ 10,990</u>	<u>\$ 6,779</u>	<u>\$ 17,769</u>

### NOTE 8: INTERFUND BALANCES AND TRANSFERS

The composition of advance receivable and payable balances at June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sewer Fund	<u>\$ 1,200</u>

The composition of interfund receivable and payable balances at June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Local Street Fund	Major Street Fund	\$ 49,169
General Fund	Sewer Fund	1,021
		<u>\$ 50,190</u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

There were no interfund transfers reported in the fund statements were as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General Fund	Major Street Fund	\$ 1,500
Sewer Fund	General Fund	1,853
		<u>\$ 3,353</u>

# VILLAGE OF PRESCOTT

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### NOTE 9: RISK MANAGEMENT

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The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Village manages all of its loss risks with the purchase of commercial insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

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### NOTE 10: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

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**Pension Plan** – The Village currently does not have a pension plan for its employees.

**Post Employment Benefits** – The Village currently does not provide any post employment benefits to its retirees.

***REQUIRED SUPPLEMENTARY INFORMATION***



# VILLAGE OF PRESCOTT

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2014

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i> <i>Final Budget</i>
<b>Revenues:</b>				
Property taxes	\$ 17,355	\$ 17,355	\$ 17,741	\$ 386
State grants	19,000	19,000	19,955	955
Charges for services	11,232	11,232	11,232	-
Interest and rents	20	20	554	534
Other revenue	1,600	1,600	542	(1,058)
Total revenues	49,207	49,207	50,024	817
<b>Expenditures:</b>				
Current				
General government	15,478	15,478	7,630	(7,848)
Public works	28,132	28,132	31,430	3,298
Recreation and culture	4,600	4,600	1,705	(2,895)
Total expenditures	48,210	48,210	40,765	(7,445)
Excess (deficiency) of revenues over expenditures	997	997	9,259	8,262
<b>Other financing sources (uses):</b>				
Transfers from other funds	-	-	1,853	1,853
Transfers to other funds	-	-	(1,500)	(1,500)
Total other financing sources (uses)	-	-	353	353
Change in fund balance	997	997	9,612	8,615
Fund balance (deficit), beginning of year	(2,554)	(2,554)	(2,554)	-
Fund balance, end of year	<u>\$ (1,557)</u>	<u>\$ (1,557)</u>	<u>\$ 7,058</u>	<u>\$ 8,615</u>

# VILLAGE OF PRESCOTT

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## *SPECIAL REVENUE FUND – MAJOR STREET FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended June 30, 2014

	<b><i>Budgeted Amounts</i></b>			<b><i>Actual Over (Under) Final Budget</i></b>
	<b><i>Original</i></b>	<b><i>Final</i></b>	<b><i>Actual</i></b>	
<b>Revenues:</b>				
State grants	\$ 40,220	\$ 40,220	\$ 42,391	\$ 2,171
Interest and rents	250	250	63	(187)
Total revenues	40,470	40,470	42,454	1,984
<b>Expenditures:</b>				
Current				
Public works	65,500	65,500	18,495	(47,005)
Excess (deficiency) of revenues over expenditures	(25,030)	(25,030)	23,959	48,989
<b>Other financing sources (uses):</b>				
Transfers from other funds	-	-	1,500	1,500
Change in fund balance	(25,030)	(25,030)	25,459	50,489
Fund balance, beginning of year	7,370	7,370	7,370	-
Fund balance, end of year	<u>\$ (17,660)</u>	<u>\$ (17,660)</u>	<u>\$ 32,829</u>	<u>\$ 50,489</u>

# VILLAGE OF PRESCOTT

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## *SPECIAL REVENUE FUND – LOCAL STREET FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended June 30, 2014

	<i><b>Budgeted Amounts</b></i>		<i><b>Actual</b></i>	<i><b>Actual</b></i>
	<i><b>Original</b></i>	<i><b>Final</b></i>		<i><b>Over (Under)</b></i> <i><b>Final Budget</b></i>
<b>Revenues:</b>				
State grants	\$ 9,000	\$ 9,000	\$ 9,652	\$ 652
Interest and rents	100	100	20	(80)
Total revenues	9,100	9,100	9,672	572
<b>Expenditures:</b>				
Current				
Public works	17,350	17,350	4,984	(12,366)
Change in fund balance	(8,250)	(8,250)	4,688	12,938
Fund balance, beginning of year	67,266	67,266	67,266	-
Fund balance, end of year	<u>\$ 59,016</u>	<u>\$ 59,016</u>	<u>\$ 71,954</u>	<u>\$ 12,938</u>

***OTHER SUPPLEMENTARY INFORMATION***

# VILLAGE OF PRESCOTT

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## *BUSINESS-TYPE ACTIVITIES* **SCHEDULE OF INDEBTEDNESS**

June 30, 2014

### **SANITARY SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005A**

Issue dated July 1, 2005 in the amount of \$ 109,000

Less: Principal paid in prior years (8,000)  
Principal paid in current year (1,000)

Balance payable at June 30, 2014 \$ 100,000

<i>Fiscal</i> <i>Year Ended</i>	<i>Interest</i> <i>Rate</i>	<i>Interest due</i> <i>October 1</i>	<i>Interest due</i> <i>April 1</i>	<i>Principal due</i> <i>April 1</i>	<i>Total</i> <i>Annual</i> <i>Requirement</i>
2015	4.125%	\$ 2,063	\$ 2,063	\$ 1,000	\$ 5,126
2016	4.125%	2,042	2,042	2,000	6,084
2017	4.125%	2,001	2,001	2,000	6,002
2018	4.125%	1,959	1,959	2,000	5,918
2019	4.125%	1,918	1,918	2,000	5,836
2020	4.125%	1,877	1,877	2,000	5,754
2021	4.125%	1,836	1,836	2,000	5,672
2022	4.125%	1,794	1,794	2,000	5,588
2023	4.125%	1,753	1,753	2,000	5,506
2024	4.125%	1,712	1,712	2,000	5,424
2025	4.125%	1,671	1,671	2,000	5,342
2026	4.125%	1,629	1,629	2,000	5,258
2027	4.125%	1,588	1,588	2,000	5,176
2028	4.125%	1,547	1,547	3,000	6,094
2029	4.125%	1,485	1,485	3,000	5,970
2030	4.125%	1,423	1,423	3,000	5,846
2031	4.125%	1,361	1,361	3,000	5,722
2032	4.125%	1,299	1,299	3,000	5,598
2033	4.125%	1,238	1,238	3,000	5,476
2034	4.125%	1,176	1,176	3,000	5,352
2035	4.125%	1,114	1,114	3,000	5,228
2036	4.125%	1,052	1,052	4,000	6,104
2037	4.125%	969	969	4,000	5,938
2038	4.125%	887	887	4,000	5,774
2039	4.125%	804	804	4,000	5,608
2040	4.125%	722	722	4,000	5,444
2041	4.125%	639	639	4,000	5,278
2042	4.125%	557	557	5,000	6,114
2043	4.125%	454	454	5,000	5,908
2044	4.125%	351	351	5,000	5,702
2045	4.125%	248	248	12,000	12,496
		<u>\$ 41,169</u>	<u>\$ 41,169</u>	<u>\$ 100,000</u>	<u>\$ 182,338</u>

# VILLAGE OF PRESCOTT

## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

June 30, 2014

#### SANITARY SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005B (REISSUANCE)

Issue dated March 29, 2013 in the amount of \$ 230,000

Less: Principal paid in prior years -  
Principal paid in current year (4,000)

Balance payable at June 30, 2014 \$ 226,000

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due October 1</i>	<i>Interest due October 1</i>	<i>Interest due April 1</i>	<i>Total Annual Requirement</i>
2015	1.875%	\$ 4,000	\$ 2,119	\$ 2,119	\$ 8,238
2016	1.875%	4,000	2,081	2,081	8,162
2017	1.875%	4,000	2,044	2,044	8,088
2018	1.875%	4,000	2,006	2,006	8,012
2019	1.875%	4,000	1,969	1,969	7,938
2020	1.875%	4,000	1,931	1,931	7,862
2021	1.875%	4,000	1,894	1,894	7,788
2022	1.875%	5,000	1,856	1,856	8,712
2023	1.875%	5,000	1,809	1,809	8,618
2024	1.875%	5,000	1,763	1,763	8,526
2025	1.875%	5,000	1,716	1,716	8,432
2026	1.875%	5,000	1,669	1,669	8,338
2027	1.875%	5,000	1,622	1,622	8,244
2028	1.875%	5,000	1,575	1,575	8,150
2029	1.875%	5,000	1,528	1,528	8,056
2030	1.875%	5,000	1,481	1,481	7,962
2031	1.875%	5,000	1,434	1,434	7,868
2032	1.875%	5,000	1,388	1,388	7,776
2033	1.875%	6,000	1,341	1,341	8,682
2034	1.875%	6,000	1,284	1,284	8,568
2035	1.875%	6,000	1,228	1,228	8,456
2036	1.875%	6,000	1,172	1,172	8,344
2037	1.875%	6,000	1,116	1,116	8,232
2038	1.875%	6,000	1,059	1,059	8,118
2039	1.875%	6,000	1,003	1,003	8,006
2040	1.875%	6,000	947	947	7,894
2041	1.875%	6,000	891	891	7,782
2042	1.875%	7,000	834	834	8,668
2043	1.875%	7,000	769	769	8,538
2044	1.875%	7,000	703	703	8,406
2045	1.875%	7,000	638	638	8,276
2046	1.875%	7,000	572	572	8,144
2047	1.875%	7,000	506	506	8,012
2048	1.875%	7,000	441	441	7,882
2049	1.875%	7,000	375	375	7,750

continued

# VILLAGE OF PRESCOTT

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## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS, CONTINUED

June 30, 2014

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Principal due</u></i> <i><u>October 1</u></i>	<i><u>Interest due</u></i> <i><u>October 1</u></i>	<i><u>Interest due</u></i> <i><u>April 1</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2050	1.875%	8,000	309	309	8,618
2051	1.875%	8,000	234	234	8,468
2052	1.875%	8,000	159	159	8,318
2053	1.875%	9,000	84	84	9,168
		<u>\$ 226,000</u>	<u>\$ 47,550</u>	<u>\$ 47,550</u>	<u>\$ 321,100</u>

# VILLAGE OF PRESCOTT

## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

June 30, 2014

#### SANITARY SEWERAGE SYSTEM REVENUE BONDS, SERIES 2008 (REISSUANCE)

Issue dated March 29, 2013 in the amount of \$ 469,000

Less: Principal paid in prior years -  
Principal paid in current year (8,000)

Balance payable at June 30, 2014 \$ 461,000

<i>Fiscal</i> <i>Year Ended</i>	<i>Interest</i> <i>Rate</i>	<i>Principal due</i> <i>October 1</i>	<i>Interest due</i> <i>October 1</i>	<i>Interest due</i> <i>April 1</i>	<i>Total</i> <i>Annual</i> <i>Requirement</i>
2015	1.875%	\$ 8,000	\$ 4,322	\$ 4,322	\$ 16,644
2016	1.875%	8,000	4,247	4,247	16,494
2017	1.875%	8,000	4,172	4,172	16,344
2018	1.875%	9,000	4,097	4,097	17,194
2019	1.875%	9,000	4,013	4,013	17,026
2020	1.875%	9,000	3,928	3,928	16,856
2021	1.875%	9,000	3,844	3,844	16,688
2022	1.875%	9,000	3,759	3,759	16,518
2023	1.875%	9,000	3,675	3,675	16,350
2024	1.875%	10,000	3,591	3,591	17,182
2025	1.875%	10,000	3,497	3,497	16,994
2026	1.875%	10,000	3,403	3,403	16,806
2027	1.875%	10,000	3,309	3,309	16,618
2028	1.875%	10,000	3,216	3,216	16,432
2029	1.875%	11,000	3,122	3,122	17,244
2030	1.875%	11,000	3,019	3,019	17,038
2031	1.875%	11,000	2,916	2,916	16,832
2032	1.875%	11,000	2,813	2,813	16,626
2033	1.875%	11,000	2,709	2,709	16,418
2034	1.875%	12,000	2,606	2,606	17,212
2035	1.875%	12,000	2,494	2,494	16,988
2036	1.875%	12,000	2,381	2,381	16,762
2037	1.875%	12,000	2,269	2,269	16,538
2038	1.875%	12,000	2,156	2,156	16,312
2039	1.875%	13,000	2,044	2,044	17,088
2040	1.875%	13,000	1,922	1,922	16,844
2041	1.875%	13,000	1,800	1,800	16,600
2042	1.875%	13,000	1,678	1,678	16,356
2043	1.875%	14,000	1,556	1,556	17,112
2044	1.875%	14,000	1,425	1,425	16,850
2045	1.875%	14,000	1,294	1,294	16,588
2046	1.875%	14,000	1,163	1,163	16,326
2047	1.875%	15,000	1,031	1,031	17,062
2048	1.875%	15,000	891	891	16,782
2049	1.875%	15,000	750	750	16,500

continued



# VILLAGE OF PRESCOTT

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## *BUSINESS-TYPE ACTIVITIES*

### **SCHEDULE OF INDEBTEDNESS, CONTINUED**

June 30, 2014

<i><b>Fiscal Year Ended</b></i>	<i><b>Interest Rate</b></i>	<i><b>Principal due October 1</b></i>	<i><b>Interest due October 1</b></i>	<i><b>Interest due April 1</b></i>	<i><b>Total Annual Requirement</b></i>
2050	1.875%	16,000	609	609	17,218
2051	1.875%	16,000	459	459	16,918
2052	1.875%	16,000	309	309	16,618
2053	1.875%	17,000	159	159	17,318
		<u>\$ 461,000</u>	<u>\$ 96,648</u>	<u>\$ 96,648</u>	<u>\$ 654,296</u>



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

To the Members of Village Council  
Village of Prescott, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Prescott, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Village of Prescott's basic financial statements, and have issued our report thereon dated October 30, 2014.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given those limitations, we identified, and noted below, deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Other material weaknesses may exist that have not been identified.

**Recording, Processing and Summarizing Accounting Data**

**Criteria:** All governments are required to have in place internal controls over recording, processing and summarizing accounting data and preparing financial statements.

**Conditions:** As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing and summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the Village has placed reliance on its external auditors, who cannot by definition be considered a part of the Village's internal controls.

To the Members of Village Council  
Village of Prescott, Michigan

Cause: This condition was caused by the Village's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the Village lacks internal controls over the recording, processing and summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The Village has evaluated the cost versus benefit of establishing internal controls over the recording, processing and summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the Village to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village of Prescott's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Berthiaume & Co.*

Saginaw, Michigan  
October 30, 2014





**REQUIRED COMMUNICATION TO THE VILLAGE OF PRESCOTT  
IN ACCORDANCE WITH PROFESSIONAL STANDARDS**

To the Village Council  
Village of Prescott

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Prescott for the year ended June 30, 2014, and we have issued our report thereon dated October 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and government auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated January 27, 2012. Professional standards also require that we communicate to you the following information related to our audit.

**Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Prescott are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

**Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

**Disclosures**

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in performing and completing our audit.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated October 30, 2014.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Discussions with Management**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Supplementary Information**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method preparing it has not changed from the prior



period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

#### **Communication of Internal Control Matters Identified in the Audit**

In planning and performing our audit of the financial statements of the Village of Prescott as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Prescott's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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

Our 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. Given these limitations during our audit, we did identify deficiencies in internal control that we are required to consider material weaknesses as follows. However, other material weaknesses may exist that have not been identified.

#### **Recording, Processing and Summarizing Accounting Data**

Criteria: All governments are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements.

Conditions: As is the case with many smaller and medium-sized entities, the Village has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the Village has placed reliance on its external auditors, who cannot by definition be considered a part of the Village's internal controls.

Cause: This condition was caused by the Village's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the Village to perform these tasks internally.

Effect: As a result of this condition, the Village lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The Village has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the Village to



rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

#### **Other Matters**

##### **Payroll Taxes** (Repeated)

As of June 30, 2014, the Village was behind in its payments of 941 taxes to the IRS. It appears the amount owed, as of June 30, 2014, was approximately \$7,700. Additional amounts may also be owed for related late payment penalties. *It is highly recommended that payroll taxes be promptly and fully paid when due.*

##### **Transfers of Street Fund Monies** (Repeated)

The Village, in prior years, has budgeted or approved the allowable transfer of a portion of its Act 51 Street Revenues from the Major Street Fund to the Local Street Fund. The annual transfers, for several prior years, have been properly reported in the financial statements but the actual movement of the cash between bank accounts (Major to Local) has not been done. Because of this, the Major Street on June 30, 2014 reports the amount of \$49,169 as "Due to Local Street Fund". *We recommend the movement of the cash between accounts in order to complete the intended transaction.*

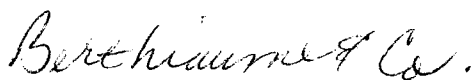
##### **Budget Variances** (Repeated)

The audited financial statements, budgetary comparison schedule, for the General Fund (page 31), report actual expenditures that exceeded budgeted amounts. State of Michigan law indicates that the authority of each local governmental unit to expend funds must be found in its budget. *We recommend that, in the future, the annual budget be amended, when necessary and appropriate, in order to avoid reporting expenditures in excess of budget.*

\*\*\*\*\*

This communication is intended solely for the information and use of the Village Council and Management and the State of Michigan Treasury Department, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Berthiaume & Company  
Certified Public Accountants  
Saginaw, Michigan

October 30, 2014

