

Village Council  
Village of Webberville  
Webberville, Michigan

In planning and performing our audit of the financial statements of the Village of Webberville as of and for the year ended March 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Webberville's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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.

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 or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 statement will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in the Company's internal control to be material weaknesses:

### **Bank Reconciliations**

Bank statement reconciliations were accumulated for several months before they were reconciled to the appropriate account on the general ledger. We also understand that a contributing factor in this condition was the turnover in the Clerk/Treasurer position during the year ended March 31, 2014. Delays in the reconciliation process can result in errors or other issues not being recognized and resolved on a timely basis. Also, it is generally easier and less time-consuming to reconcile accounts when the transactions are fresh in mind. We recommend that all bank reconciliations be reconciled each month prior to the preparation of the monthly reports for the Council Meetings.

## **General Ledger Accounting**

During the year, we observed that transactions were not posted in the general ledger in a timely manner. In addition, some transactions are maintained using spreadsheet rather than incorporating all transactions into the Village's general ledger package. These conditions can increase the risk of some transactions being omitted from the reporting process and also leads to delays in the ability to monitor budget activity, identify significant fluctuations in accounts, and accurately report the Village's financial condition. We recommend that the Village develop a process and schedule for the timely preparation and posting of all transactions to the Village's general ledger.

This communication is intended solely for the information and use of management, the Village Council, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

*Andrews Hooper & Pavlik P.L.C.*

September 26, 2016

Village Council

Village of Webberville

*September 27, 2016*

Village Council  
Village of Webberville

September 27, 2016

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    - Sarah Talbot     – Senior Manager
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September 27, 2016

Village Council  
Village of Webberville

We are pleased to submit this report, which summarizes the results of our audit, and other matters that we believe would be of interest to you.

### Services Provided and in Process

In accordance with our engagement letter, AHP provided the following services:

#### Audit Services:

- Annual Audit – Completed

#### Nonaudit Services:

- Updating assistance for capital asset depreciation schedule – Completed.
- Preparation of accrual basis adjusting journal entries and closing entries – Completed.
- Preparation of the annual financial statements in accordance with accounting principles generally accepted in the United States of America – Completed
- Preparation of Act 51 Reports for the State of Michigan – Completed
- Preparation of F-65 Report for the State of Michigan – Completed
- Preparation of 496 Report for the State of Michigan – Completed

We have reviewed the services provided and confirm that we are independent of the Village of Webberville.

### Results of the Audit

The audit was conducted in accordance with auditing standards generally accepted in the United States of America, and included such tests of the accounting records and such other auditing procedures as we considered necessary for the purpose of expressing an opinion on the financial statements.

The following summarizes various matters of interest noted during our audit:

Adopted Audit and Accounting Standards

None.

Future Audit and Accounting Standards

The GASB has issued the following recent Statements of Governmental Accounting Standards (Statements).

Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued in June 2012 to improve accounting and financial reporting by state and local governments for pensions. The Village is adopting this Standard for the year ending March 31, 2016. Although the requirements of the Standard are not expected to significantly affect the Village's current cash flow for recording pension expenditure payments, it will add a substantial liability to the statement of net position.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics: (1) Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable, (2) Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms, and (3) Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Additional footnote disclosures and required supplementary information requirements about pensions are also addressed.

This Statement is expected to have a significant effect on the Village's financial statements.

GASB Statement No. 72, *Fair Value Measurement and Application (Statement 72)*. This standard addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015. This standard is not expected to apply to the Village unless it invests funds in instruments other than cash and cash equivalents.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments (Statement 76)*, identifies the hierarchy of GAAP which consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 77, *Tax Abatement Disclosures (Statement 77)*, will require disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. Governments that enter into tax abatement agreements will be required to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The requirements of this Statement are effective for fiscal periods beginning after December 15, 2015, which for the Village will be the year ending March 31, 2017. The Village will evaluate whether this statement has a material effect, if any, on its financial statements.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*

This Statement improves financial reporting by clarifying the financial statement presentation blending requirements for certain component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This is not expected to affect the Village. The standard is effective for periods beginning after June 15, 2016. Earlier application is encouraged.

***Future GASB Statements.*** As new accounting standards are issued, we will advise you about the relevant provisions of these new accounting standards. Current proposed standards that might interest you include the ones summarized below.

**Proposed Standard – Fiduciary Activities.** This proposed standard is intended to reduce inconsistent reporting of fiduciary activities and would apply to all state and local governments. Current accounting standards require governments to report fiduciary activities in fiduciary fund financial statements. However, current guidance is not consistently applied as to what constitutes a fiduciary activity. The proposed guidance focuses on the concept that control is applicable to assets for which a government has a fiduciary relationship. The GASB believes that holding, being responsible for administering, and directing the use, exchange, or employment of those assets within the context of fiduciary activities are characteristics of control.

Proposed Standard – Leases. This proposed Statement would apply to all state and local governments and establishing a single model for all lease accounting. The concept within this model is that a lease is a financing arrangement that permits the use on an underlying asset for a period of time. As such a lessee would record a lease liability and an intangible right-to-use asset. A lessor would record a lease receivable and a deferred inflow of resources. An exception is granted for short-term leases, which are defined as “a lease that, at the beginning of the lease, has a maximum possible term under the contract of 12 months or less, including any options to extend, regardless of its probability of being exercised.” If adopted, the requirements of this proposed Statement would be effective for reporting periods beginning after December 15, 2018. Earlier application would be permitted.

## The Auditor’s Communications with Those Charged with Governance

This section discusses our responsibilities under the Statement on Auditing Standards (SAS) No. 122 Section 260, *Communication with Those Charged with Governance*. The following excerpts from SAS No. 122 describe the specific matters required to be communicated to you and our responses thereto:

### Our Responsibility under U.S. Generally Accepted Auditing Standards

The auditors’ standard report emphasizes that an audit conducted in accordance with auditing standards generally accepted in the United States of America, is designed to provide reasonable, but not absolute, assurance that the financial statements are free of material misstatement and in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Our report dated September 13, 2016 follows this format. Because of the concept of reasonable assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

Our responsibility, as described by our 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. GAAP. Our audit does not relieve you or management of your responsibilities.

As part of the audit, we considered the internal control of the Village of Webberville. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the predecessor firm (Demis and Wenzlick, P.C.) engagement letter dated April 8, 2014. As discussed later in this report, significant delays occurred in completing the audit due to delays in the Village’s recording and updating of transactions and general ledger activity for the year ended March 31, 2014. This condition caused significant changes to our timing and scope of our procedures.



### Qualitative Aspects of Accounting Practices

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 Webberville 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 Village 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 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 are 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. The most sensitive estimates affecting the financial statements were:

- Estimated useful lives of capital assets as disclosed in Note 1.
- Estimated depreciation expense as disclosed in Note 2.

For each estimate listed above, we evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Deposits and investments
- Capital assets
- Long-term debt

### Difficulties Encountered in Performing the Audit

We encountered significant difficulties in obtaining records and in performing and completing our audit. The Clerk/Treasurer's primary accounting records are maintained on the Village's computerized BS&A general ledger system. However, some transactions for other funds are maintained using a combination of manual records and spreadsheet. While computerized and manual systems can be equally effective, it can create a situation where there is a delay in entering the details from the manual system into the computerized system, which is the primary source of information that is used to produce the Village's financial statements. This condition resulted in delays in performing and completing our audit.

In addition, transactions had not been posted to the general ledger on a timely basis and there were significant delays in performing and completing bank reconciliations. We also encountered difficulties in receiving timely responses to requests for information which prevented us from being able to complete certain areas of the audit.

These conditions resulted in significant delays in our ability to perform and complete our audit procedures. These conditions seem to have continued into the subsequent period as well. Our most recent understanding is that bank reconciliations for the year ended March 31, 2015 are still in the process of being completed.

#### 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. We proposed a number of during our audit. There were no uncorrected 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 auditors' report. We are pleased to report that no such disagreements arose during the course of the audit.

#### Management Representations

We have requested certain representations from management that are included in the management's representation letter dated September 26, 2016. A copy is attached for your reference.

#### Management's 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 financial statements or a determination of the type of 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 relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Communication of Fees for Nonaudit Services

As previously described in this letter, we performed certain nonaudit services at the request of management and documented in an engagement letter. Fees for these services did not exceed those noted in our engagement letters.

#### Management Letter

We considered the Village's internal control during the course of the audit, and we remained alert for areas where procedures and controls could be improved. We noted matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. Also, we noted other matters involving the internal control or areas where operations may be improved that we have reported to management in a separate letter dated September 26, 2016.

This report is intended solely for the information and use of the Village of Webberville and management of the Village and is not intended to be, and should not be, used by anyone other than these specified parties.

We will be pleased to respond to any comments or questions you may have concerning this letter, our management letter, or any other aspects of our services to the Village of Webberville.

It has been a pleasure to serve the Village of Webberville during the year. We would like to express our appreciation for the cooperation and courtesy extended to us by management and employees of the Village and look forward to continuing our association in the future.

Sincerely,

*Andrews Hopper & Pavlik P.L.C.*

# W Office Of The Village Of EBBERVILLE

September 26, 2016

Andrews Hooper Pavlik PLC  
217 N Washington Street, Suite 201  
Owosso, MI 48867

This representation letter is provided in connection with your audit of the financial statements of the Village of Webberville (Village), which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of March 31, 2014, and the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of September 26, 2016, the following representations made to you during your audit.

### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 8, 2014.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates are reasonable.

P.O. Box 389 □ Webberville, MI 48892 □ (517) 521-3984

- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Village's accounts.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the Village is contingently liable, if any, have been properly recorded or disclosed.

### **Information Provided**

- 11) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of Village Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have disclosed to you all known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

- 17) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 18) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

**Government-specific**

- 19) We have made available to you all financial records and related data.
- 20) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 21) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 22) The Village has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 24) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 25) As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 26) The Village has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 27) The Village has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 28) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 29) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 30) The financial statements properly classify all funds and activities.

- 31) All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 32) Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
- 33) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 34) Provisions for uncollectible receivables have been properly identified and recorded.
- 35) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 36) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 37) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 38) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 39) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 40) We have appropriately disclosed the Village's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.
- 41) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Signed: \_\_\_\_\_

Title: Village President

Signed: \_\_\_\_\_

Title: Village Clerk/Treasurer

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**Audited Financial Statements  
and Other Supplementary Information**

**Village of Webberville**

*Year Ended March 31, 2014  
with Report of Independent Auditors*



Village of Webberville  
List of Council Members

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March 31, 2014

**Village Council**

Brad Hitchcock	President
Robert R. Ackerman	President Pro-Tem
Dennis Kelly	Trustee
Dan Horton	Trustee
Mel Lewis	Trustee

**Administrative Officers**

Jaymee Hord	Clerk/Treasurer
Shelly Miller	Deputy Clerk/Deputy Treasurer

Village of Webberville

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Audited Financial Statements  
and Other Supplementary Information

Year Ended March 31, 2014

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Village of Webberville  
Audited Financial Statements  
and Other Supplementary Information  
Year Ended March 31, 2014

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## Report of Independent Auditors

To the Village Council  
Village of Webberville  
Webberville, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Webberville, as of and for the year ended March 31, 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. 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 purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

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In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Webberville, as of March 31, 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.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7, and the budgetary comparison schedule on pages 37-38 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 Webberville's basic financial statements. The Downtown Development Authority – Component Unit's financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Owosso, Michigan  
September 26, 2016

# Village of Webberville

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## Management's Discussion and Analysis

March 31, 2014

The following is a discussion and analysis of the Village of Webberville's (Village) financial activities for the year ended March 31, 2014. This analysis should be read in conjunction with the Report of Independent Auditors and with the Village's financial statements, which follows this section. All amounts, unless otherwise indicated, are presented in whole dollars.

### **Financial Highlights**

The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$5,147,227 (net position). Of this amount, \$683,556 (unrestricted net position) may be used to meet the government's ongoing obligations to the citizens and creditors.

The government's total net position increased by \$290,455.

At the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$762,411, an increase of \$60,405 in comparison with the prior year. Approximately \$151,754 of this total amount is available for spending at the government's discretion (unassigned fund balance).

### **Overview of the Financial Statements**

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

**Government-Wide Financial Statements** – The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private sector business.

The statement of net position presents information on all the Village's assets and liabilities, with a difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Village of Webberville

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Management's Discussion and Analysis

March 31, 2014

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, public works, recreation and culture, and community and economic development. The business-type activities of the Village include water and sewer operations.

The government-wide financial statements include not only the Village itself (known as the primary government), but also the legally separate Downtown Development Authority for which the Village is financially accountable. Financial information presented for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found beginning on page 8 of this report.

**Fund Financial Statements** – 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all the governmental funds.



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Management's Discussion and Analysis

March 31, 2014

The Village adopts an annual appropriated budget for its general fund and all special revenue fund types. Budgetary comparison statements and schedules have been provided in the supplementary information for the major funds to demonstrate the extent of compliance with these budgets.

The basic governmental fund financial statements can be found beginning on page 10 of this report.

**Proprietary Funds** – The Village maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its Sewer and Water operation. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village uses an internal service fund to account for its fleet of vehicles. Because the services of the fund predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer operations, all of which are considered to be major funds of the Village. Also, the internal service fund is presented in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found beginning on page 14 of this report.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Village's own programs. Currently the Village has no fiduciary funds.

**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. The notes to the financial statements can be found beginning on page 17 of this report.



Village of Webberville

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Management's Discussion and Analysis

March 31, 2014

**Village as a Whole**

The following table shows, in a condensed format, the net position of the current date compared to the prior year:

	<u>2014</u>	<u>2013</u>
Current assets	\$ 1,418,360	\$ 1,15,532
Capital assets (net of depreciation)	4,440,134	4,522,271
Total assets	<u>5,858,494</u>	<u>5,837,803</u>
Current liabilities	30,267	106,031
Non-current liabilities – long-term	681,000	875,000
Total liabilities	<u>711,267</u>	<u>981,031</u>
Net position	<u>\$ 5,147,227</u>	<u>\$ 4,856,772</u>

The following table shows the change in net position for the year ended March 31, 2014:

	<u>2014</u>	<u>2013</u>
Program revenues:		
Charges for services – governmental activities	\$ 131,488	\$ 66,330
Charges for services – business-type activities	554,534	537,054
General revenues:		
State-shared revenues/Metro Act fund	217,009	204,780
Property tax revenue (net of refunds)	626,634	546,085
Investment income	3,462	4,585
Other general revenues	20,274	60,247
Total revenues	<u>1,553,401</u>	<u>1,419,081</u>
Program expenses:		
General government	172,322	67,621
Public safety (police)	237,244	235,041
Public works	309,648	423,880
Recreation and culture	872	613
Community and economic development	48,644	-
Water and sewer	446,310	418,240
Total expenses before net transfers	<u>1,215,040</u>	<u>1,145,395</u>
Net transfers between general government and component unit	47,906	25,638
Total expenses including net transfers	<u>1,262,946</u>	<u>1,171,033</u>
Change in net position	<u>\$ 290,455</u>	<u>\$ 248,048</u>

Village of Webberville

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Management's Discussion and Analysis

March 31, 2014

**General Fund Budgetary Highlights**

During the course of the year, the Village amended the budget to take into account events during the year. General Fund revenues originally were budgeted at \$681,100 (not including interfund transfers). The budget was amended to \$689,700 for revenues. Actual revenues were \$745,298.

**Financial Analysis of the Village's Funds**

General Fund – increase in fund balance (net of interfund transfers)	\$	49,087
Major Street – decrease in fund balance		(18,482)
Local Street – increase in fund balance		1,779
Municipal Street – increase in fund balance		28,017
Building Authority – increase in fund balance		4
Downtown Development Authority – increase in fund balance of		73,592

**Capital Asset and Long-Term Debt Activity**

The Village's component unit activities paid \$59,722 of principal on long-term debt.

The Village spent \$34,990 on road improvements.

The Village spent \$17,348 on other equipment.

**Known Factors Affecting the Future Operations**

The future of state revenue sharing is clouded and it represents a significant portion of our income. It is predicted that state revenue sharing will continue to decrease.

**Contacting the Village's Management**

This financial report is intended to provide our taxpayers, creditors, investors, and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Village Clerk/Treasurer at (517) 521-3984.

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## Basic Financial Statements

Village of Webberville

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Statement of Net Position

March 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 774,979	\$ 513,559	\$ 1,288,538	\$ 7,621
Receivables	6,870	66,760	73,630	250,010
Due from other funds	5,179	664	5,843	-
Due from other government units	50,349	-	50,349	-
Capital assets (net)	675,228	3,764,906	4,440,134	803,725
<b>Total assets</b>	<b>1,512,605</b>	<b>4,345,889</b>	<b>5,858,494</b>	<b>1,061,356</b>
<b>Liabilities</b>				
Accounts payable	5,532	11,007	16,539	2,309
Due to other funds	(489)	-	(489)	1,153
Accrued and other liabilities	3,790	10,427	14,217	106
Noncurrent liabilities:				
Due within one year	-	120,000	120,000	7,072
Due in more than one year	-	561,000	561,000	-
<b>Total liabilities</b>	<b>8,833</b>	<b>702,434</b>	<b>711,267</b>	<b>10,639</b>
<b>Net position</b>				
Invested in capital assets, net of related debt	675,228	3,083,906	3,759,134	796,653
Restricted for:				
Sewer and water	-	99,912	99,912	-
Major/local/municipal streets	601,331	-	601,331	-
Committed:				
Non-major funds	3,294	-	3,294	-
Unreserved	223,919	459,637	683,556	254,063
<b>Total net position</b>	<b>\$ 1,503,772</b>	<b>\$ 3,643,455</b>	<b>\$ 5,147,227</b>	<b>\$ 1,050,716</b>

Village of Webberville  
Statement of Activities

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Year Ended March 31, 2014

Functions/Programs	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Totals	Component Unit
	Expenses	Charges for Services	Governmental Activities	Business-Type Activities		
<b>Primary government</b>						
Governmental activities:						
General government	\$ 172,322	\$ 79,019	\$ (93,303)	\$ -	\$ (93,303)	\$ (213,388)
Public safety	237,244	-	(237,244)	-	(237,244)	-
Public works	309,648	-	(257,179)	-	(257,179)	-
Community and economic development	48,644	52,469	(48,644)	-	(48,644)	-
Recreation and culture	872	-	(872)	-	(872)	-
Interest on long-term debt	-	-	-	-	-	(433)
Total governmental activities	768,730	131,488	(637,242)	-	(637,242)	(213,821)
<b>Business-type activities:</b>						
Sewer	202,246	290,405	-	88,159	88,159	-
Water	244,064	264,129	-	20,065	20,065	-
Total business-type activities	446,310	554,534	-	108,224	108,224	-
Total primary government	\$ 1,215,040	\$ 686,022	(637,242)	108,224	(529,018)	-
<b>General revenues:</b>						
Property taxes			626,634	-	626,634	294,802
State-shared revenue/Metro Act			217,009	-	217,009	-
Unrestricted investment earnings			2,073	1,389	3,462	68
Miscellaneous other revenue			20,277	-	20,277	-
Transfers — net			(131,553)	83,647	(47,906)	49,406
Total general revenues and transfers			734,440	85,036	819,476	344,276
Change in net position			97,198	193,260	290,458	130,456
Net position, beginning of period, as restated			1,406,574	3,450,195	4,856,772	920,260
Net position at end of period			\$ 1,503,772	\$ 3,643,455	\$ 5,147,230	\$ 1,050,716

See accompanying notes.

Village of Webberville

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Governmental Funds  
Balance Sheet

March 31, 2014

	General Fund	Major Street Fund	Local Street Fund	Municipal Street Fund	Webberville Building Authority	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 135,601	\$ 389,487	\$ 136,106	\$ 55,053	\$ 3,294	\$ 719,541
Receivables	6,769	-	-	101	-	6,870
Due from other funds	5,179	-	-	-	-	5,179
Due from State of Michigan	26,612	17,722	6,015	-	-	50,349
<b>Total assets</b>	<b>\$ 174,161</b>	<b>\$ 407,209</b>	<b>\$ 142,121</b>	<b>\$ 55,154</b>	<b>\$ 3,294</b>	<b>\$ 781,939</b>

**Liabilities and fund balance**

<b>Liabilities:</b>						
Accounts payable	\$ 5,249	\$ 13	\$ 6	\$ -	\$ -	\$ 5,268
Due to other funds	(489)	-	-	-	-	(489)
Payroll liabilities payable	2,064	982	744	-	-	3,790
<b>Total liabilities</b>	<b>6,824</b>	<b>995</b>	<b>750</b>	<b>-</b>	<b>-</b>	<b>8,569</b>

Aggregate deferred inflows of resources:

Deferred inflows - state revenue	9,551	1,042	366	-	-	10,959
<b>Total aggregate deferred inflows of resources</b>	<b>9,551</b>	<b>1,042</b>	<b>366</b>	<b>-</b>	<b>-</b>	<b>10,959</b>

Fund balance:

Restricted – streets	-	405,172	141,005	55,154	-	601,331
Assigned – refuse	6,032	-	-	-	-	6,032
Committed – non-major funds	-	-	-	-	3,294	3,294
Unassigned	151,754	-	-	-	-	151,754
<b>Total fund balance</b>	<b>157,786</b>	<b>405,172</b>	<b>141,005</b>	<b>55,154</b>	<b>3,294</b>	<b>762,411</b>
<b>Total liabilities, deferred inflows, and fund balance</b>	<b>\$ 174,161</b>	<b>\$ 407,209</b>	<b>\$ 142,121</b>	<b>\$ 55,154</b>	<b>\$ 3,294</b>	<b>\$ 781,939</b>

See accompanying notes.

Village of Webberville

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Governmental Funds  
Reconciliation of Balance Sheet to Statement of Net Position

March 31, 2014

**Total fund balance – governmental funds** \$ 762,411

Total 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 are not reported in the funds

Cost of capital assets	1,412,931
Accumulated depreciation	<u>(781,644)</u>
Capital assets, net	631,287

Revenue deferred in government fund statements if not received within sixty days. 10,959

An internal service fund is used by management to charge the costs of certain equipment usage to individual funds. A portion of the assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position. 99,115

**Net position – governmental activities** \$ 1,503,772

Village of Webberville

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Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended March 31, 2014

	General Fund	Major Street Fund	Local Street Fund	Municipal Street Fund	Webberville Building Authority	Total Governmental Funds
<b>Revenues</b>						
Taxes and penalties	\$ 551,843	\$ -	\$ -	\$ 74,791	\$ 4	\$ 626,638
Licenses and permits	12,970	-	-	-	-	12,970
State grants/shared revenues	110,031	68,716	22,953	-	-	201,700
Metro act	-	4,348	-	-	-	4,348
Charges for services	52,469	-	-	-	-	52,469
Fines, forfeitures, and other fees	7,290	-	-	-	-	7,290
Rental revenue	2,710	-	153	75	-	2,938
Interest and other miscellaneous	7,767	5,015	1,482	-	-	14,264
Total revenues	745,080	78,079	24,588	74,866	4	922,617
<b>Expenditures</b>						
Current:						
General government	107,876	-	-	-	-	107,876
Public safety	237,244	-	-	-	-	237,244
Public works	188,059	96,361	22,609	327	-	307,356
Community and economic development	48,644	-	-	-	-	48,644
Recreation and culture	872	-	-	-	-	872
Drains	-	-	-	28,667	-	28,667
Total expenditures	582,695	96,361	22,609	28,994	-	730,659
Excess of revenues over expenditures	162,385	(18,282)	1,979	45,872	4	191,958
<b>Other financing sources (uses)</b>						
Transfers in	16,900	-	-	-	-	16,900
Transfers out	(130,198)	(200)	(200)	(17,855)	-	(148,453)
Total financing sources and uses	(113,298)	(200)	(200)	(17,855)	-	(131,553)
Net change in fund balance	49,087	(18,482)	1,779	28,017	4	60,405
Fund balance at beginning of period	108,699	423,654	139,226	27,137	3,290	702,006
Fund balance at end of period	\$ 157,786	\$ 405,172	\$ 141,005	\$ 55,154	\$ 3,294	\$ 762,411

See accompanying notes.



Village of Webberville

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Governmental Funds  
Reconciliation of Statement of Revenues, Expenditures, and  
Changes in Fund Balance to Statement of Activities

Year Ended March 31, 2014

**Net change in fund balance – total governmental funds** \$ 60,405

Total 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 are allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(37,573)
Capital outlay	43,566
	<u>5,993</u>

Revenue earned but not collected within sixty days is deferred in the governmental fund statements but recognized as revenue in the statement of activities. 10,959

An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. A portion of the net revenue (expense) is reported with governmental activities. 19,838

**Change in net position – governmental activities** \$ 97,195

Village of Webberville

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Proprietary Funds  
Statement of Net Position

March 31, 2014

	<u>Business-Type Activities</u>			<u>Internal Service Fund Motor Pool</u>
	<u>Enterprise Funds</u>			
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 219,546	\$ 194,101	\$ 413,647	\$ 55,438
Customer receivables	31,595	35,165	66,760	-
Due from other funds	-	664	664	-
Total current assets	251,141	229,930	481,071	55,438
Capital assets	3,305,679	3,130,833	6,436,512	206,468
Less accumulated depreciation	(1,390,015)	(1,281,591)	(2,671,606)	(162,528)
Net property, plant, and equipment	1,915,664	1,849,242	3,764,906	43,940
Restricted assets:				
Cash/bond and interest redemption	44,583	55,329	99,912	-
Total assets	2,211,388	2,134,501	4,345,889	99,378
<b>Liabilities</b>				
Current liabilities:				
Accounts and deposits payable	4,809	6,198	11,007	264
Due to other funds	-	-	-	-
Current portion of noncurrent liabilities	77,680	42,320	120,000	-
Accrued interest payable	6,504	3,923	10,427	-
Total current liabilities	88,993	52,441	141,434	264
Noncurrent liabilities:				
Bonds, notes, and loans payable	453,300	227,700	681,000	-
Current portion of noncurrent liabilities	(77,680)	(42,320)	(120,000)	-
Total noncurrent liabilities	375,620	185,380	561,000	-
<b>Net position</b>				
Invested in capital assets, net of related debt	1,462,364	1,621,542	3,083,906	43,940
Reserved for restricted assets	44,583	55,329	99,912	-
Other unrestricted	239,828	219,809	459,637	55,174
Total net position	\$ 1,746,775	\$ 1,896,680	\$ 3,643,455	\$ 99,114

See accompanying notes.

Village of Webberville

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Proprietary Funds  
Statement of Revenues, Expenses, and Changes in Net Position

Year Ended March 31, 2014

	<b>Business-Type Activities</b>			<b>Internal Service Fund Motor Pool</b>
	<b>Enterprise Funds</b>			
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>	
<b>Operating revenues</b>				
Charges for services	\$ 283,307	\$ 253,709	\$ 537,016	\$ 63,339
Connection and tap charges	167	4,562	4,729	-
Penalties	6,816	5,400	12,216	-
Other income	115	458	573	511
Total operating revenues	<u>290,405</u>	<u>264,129</u>	<u>554,534</u>	<u>63,850</u>
<b>Operating expenses</b>				
Salaries and benefits	77,826	77,612	155,438	-
Supplies/rentals	11,291	32,618	43,909	-
Other services and charges	13,983	22,085	36,068	4,189
Repairs, maintenance, and other	24,936	44,048	68,984	23,765
Depreciation/amortization	57,147	57,243	114,390	16,107
Total operating expenses	<u>185,183</u>	<u>233,606</u>	<u>418,789</u>	<u>44,061</u>
Operating income (loss)	<u>105,222</u>	<u>30,523</u>	<u>135,745</u>	<u>19,789</u>
<b>Nonoperating (expenses) revenues</b>				
Interest and investment revenues	824	565	1,389	49
Interest and investment expenses	(17,063)	(10,458)	(27,521)	-
Total nonoperating (expenses) revenues	<u>(16,239)</u>	<u>(9,893)</u>	<u>(26,132)</u>	<u>49</u>
Income (loss) before transfers	88,983	20,630	109,613	19,838
Transfers in – other funds	-	-	-	-
Transfers in – component	29,506	54,141	83,647	-
Total transfers	<u>29,506</u>	<u>54,141</u>	<u>83,647</u>	<u>-</u>
Change in net position	118,489	74,771	193,260	19,838
Net position at beginning of period, adjusted	1,628,286	1,821,909	3,450,195	79,276
Net position at end of period	<u>\$ 1,746,775</u>	<u>\$ 1,896,680</u>	<u>\$ 3,643,455</u>	<u>\$ 99,114</u>

See accompanying notes.

Village of Webberville

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Proprietary Funds  
Statement of Cash Flows

Year Ended March 31, 2014

	<u>Business-Type Activities</u>			<u>Internal Service Funds Motor Pool</u>
	<u>Enterprise Funds</u>			
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
<b>Cash flows from operating activities</b>				
Receipt from customer	\$ 287,354	\$ 252,373	\$ 539,727	\$ -
Payments to suppliers	(74,381)	(123,727)	(198,108)	(28,457)
Payments to employees	(52,607)	(52,357)	(104,964)	-
Other receipts (payments)	29,506	54,141	83,647	63,850
Net cash from operating activities	189,872	130,430	320,302	35,393
<b>Cash flows from capital and related financing activities</b>				
Issuance of new debt	-	-	-	-
Retirement of debt	(117,700)	(76,300)	(194,000)	-
Interest and fiscal charges paid	(18,894)	(11,773)	(30,667)	-
Investment in capital assets	(24,650)	(8,949)	(33,599)	(8,772)
Net cash from capital and related financing activities	(161,244)	(97,022)	(258,266)	(8,772)
<b>Cash flows from investing activities</b>				
Interest revenue, net of early withdrawal penalties	824	565	1,389	49
Net change in cash and cash equivalents	29,452	33,973	63,425	26,670
Cash and cash equivalents at beginning of period	234,677	215,457	450,134	28,768
Cash and cash equivalents at end of period	\$ 264,129	\$ 249,430	\$ 513,559	\$ 55,438
<b>Reconciliation of income (loss) to net cash from operating activities</b>				
Operating income (loss)	\$ 134,728	\$ 84,665	\$ 219,393	\$ 19,789
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	57,147	57,243	114,390	16,107
Change in receivables/prepays	(3,051)	(11,756)	(14,807)	-
Change in accounts payable	1,048	278	1,326	(503)
Net cash from operating activities	\$ 189,872	\$ 130,430	\$ 320,302	\$ 35,393

See accompanying notes.

# Village of Webberville

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## Notes to Financial Statements

March 31, 2014

### **1. Summary of Significant Accounting Policies**

The accounting policies of the Village of Webberville (Village), conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant policies used by the Village.

#### **Description of Government-Wide 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 units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

#### **Reporting Entity**

A Village Council (Council) is the governing body elected by the community at large. The Council consists of four elected trustees and an elected the Village President. The Council appoints a Village Clerk and Village Treasurer. As required by GAAP, the financial statements of the reporting entity include those of the Village and its component units. The component units discussed below are included in the Village's reporting entity because they are entities for which the Village is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the Village.

#### **Discretely Presented Component Unit**

*Downtown Development Authority (DDA)* – The Village appoints a voting majority and is able to impose its will on the DDA. It has incurred specific financial burdens in the form of general obligation bonds and is responsible for compliance with federal grants received in conjunction with the DDA's projects. In accordance with Statement of Michigan Governmental Accounting and Auditing No. 5, the DDA has been discretely presented. The DDA does not issue any other formal financial statements.

Village of Webberville  
Notes to Financial Statements

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March 31, 2014

**1. Summary of Significant Accounting Policies (continued)**

**Reporting Entity (continued)**

**Blended Component Unit**

*Webberville Building Authority (WBA)* – The Village Council serve as Trustees. The WBA is charged with the responsibility of building and financing repairs and major improvements to the Village Hall and Library building.

**Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental and internal service funds, while business-type activities incorporate data from the Village's enterprise funds. Separate financial statements are provided for governmental funds, and proprietary funds.

As discussed earlier, the Village has one discretely presented component unit. Although all may not be considered to be major component units, they are nevertheless shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and other charges between the Village's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the Village's funds. Separate statements for each fund category – governmental, and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Village of Webberville

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Notes to Financial Statements

March 31, 2014

**1. Summary of Significant Accounting Policies (continued)**

**Basis of Presentation – Fund Financial Statements (continued)**

The Village reports the following major governmental funds:

*General Fund* – General Fund is the principal operating fund of the Village. It is used to account for all revenues, expenditures, and activities not specifically accounted for in another fund.

*Major Street Fund* – Major Street Fund is used to receive all Major Street monies paid to the Village by the state, to account for monies received from special tax levies for street improvement purposes, to account for monies received from General Fund contributions, and to account for construction, maintenance, and other authorized operations to all streets classified as Major Street.

*Local Street Fund* – Local Street Fund is used to receive all Local Street monies paid to the Village by the state, to account for monies received from special tax levies for street improvement purposes, to account for monies received from General Fund contributions, and to account for construction, maintenance, and other authorized operations to all streets classified as Local Street.

*Municipal Street Fund* – Municipal Street Fund is used to account for taxes segregated for street oriented operations.

The Village reports the following major proprietary funds:

*Sewer and Water Funds* – Sewer and Water funds account for the activities including, but not limited to, administration, (utility director), operations, maintenance, financing and related debt service, and billing and collection.

Additionally, the Village reports the following fund types:

*Internal Service Fund* – Internal Service Fund accounts for vehicle and equipment use and management services provided to other departments of the Village on a cost reimbursement basis.

*Agency Funds* – Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Village of Webberville  
Notes to Financial Statements

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March 31, 2014

**1. Summary of Significant Accounting Policies (continued)**

**Basis of Presentation – Fund Financial Statements (continued)**

Village operations include activity between funds for various purposes. Residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**Use of Estimates**

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect the amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



Village of Webberville  
Notes to Financial Statements

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March 31, 2014

**1. Summary of Significant Accounting Policies (continued)**

**Measurement Focus and Basis of Accounting (continued)**

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are 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, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as capital outlay expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, special assessments, licenses, and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the Village.

**Budgetary Information**

Budgetary Basis of Accounting

Annual budgets are adopted for the General Fund, all special revenue funds, capital project funds, enterprise and internal service funds and the discretely presented component unit. The DDA budget is based upon a fiscal year which matches the Village's fiscal year. The Village Administrator submits to the Council, a proposed operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and the means of financing them. Budgets are prepared on a basis consistent with the accounting basis utilized by the fund. Public hearings are conducted to obtain taxpayer comments. Prior to April 1, the budget is legally enacted through a resolution passed by the Council. The budget and approved appropriations lapse at the end of the fiscal year. The Village does not maintain a formal encumbrance accounting system. The budgets are adopted on a functional basis. Expenditures may not legally exceed the budgeted amounts by function for these funds. The Village Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Council.

Comparisons to budget are presented as required by GAAP for all governmental funds for which budgets were legally adopted. Budgets are adopted on a basis consistent with GAAP.

Village of Webberville  
Notes to Financial Statements

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March 31, 2014

**1. Summary of Significant Accounting Policies (continued)**

**Assets, Liabilities, and Net Position/Fund Balance**

Deposits and Investments

The Village has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables

In general, outstanding balances between funds are reported as “due to/from other fund” activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds”. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, lighting systems, and similar assets that are immovable and of value only to the Village), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Software programs above the capitalization policy will be amortized over an estimated useful life of three years. Costs associated with software maintenance and customer support are considered expenditure and will not be capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the Village began recording on or after July 1, 2003 as followed by GASB 34.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Village of Webberville

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Notes to Financial Statements

March 31, 2014

**1. Summary of Significant Accounting Policies (continued)**

**Assets, Liabilities, and Net Position/Fund Balance (continued)**

Major outlays for capital assets and improvements are capitalized as projects when constructed. Capital assets of the Village are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40-60 years
Building improvements	15-30 years
Office equipment	3-5 years
Vehicles	3-5 years
Water and sewer lines	50-75 years
Roads and other infrastructure	10-30 years

Pensions

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

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of fund net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred (year of bond issuance).

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

Village of Webberville  
Notes to Financial Statements

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March 31, 2014

**1. Summary of Significant Accounting Policies (continued)**

**Assets, Liabilities, and Net Position/Fund Balance (continued)**

Net Position Flow Assumption

Sometimes the Village will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds or donations) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance Flow Assumption

Sometimes the Village will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. The Village's policy is that when multiple classifications are available and appropriate for a specific purpose, fund balance will be used first from the most restrictive category in order to the least restrictive.

Fund Balance Policies

In the government-wide financial statements, net position is divided into three possible categories:

Invested in Capital Assets, Net of Related Debt – This category consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted Net Assets – Net assets are considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws.

Unrestricted – All other net assets are reported in this category.

Village of Webberville  
Notes to Financial Statements

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March 31, 2014

**1. Summary of Significant Accounting Policies (continued)**

**Assets, Liabilities, and Net Position/Fund Balance (continued)**

In the fund financial statements, fund balance is presented in five possible categories:

**Nonspendable** – Amounts which cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

**Restricted** – Amounts constrained to specific purposes by their providers (such as creditors, grantors, and higher levels of government), through constitutional provisions, or by enabling legislations.

**Committed** – Amounts that can be used only for the specific purposes determined by a formal action of the Village's highest level of decision-making authority. The Council is the highest level of decision-making authority for the Village that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

**Assigned** – Amounts neither restricted nor committed for which the Village has a stated intended use as established by the Council or an official to which the Council has delegated the authority to assign amounts for specific purposes. The Council's fund balance policy is to designate the Village Administrator as the official that has the authority to assign fund balance to specific purposes.

**Unassigned** – Amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

**Revenues and Expenditures/Expenses**

Property Taxes

Property taxes attach an enforceable lien on property by the county. Taxes are levied on July 1, and payable on September 14. The Village bills and collects its own property taxes. Property tax revenues are recognized when levied to the extent that they result in current receivables. The Village is permitted by the Municipal Finance Law of the State to levy taxes up to 15 mills total. The Village Council has allocated 10.6081 mills for governmental services and 1.5919 mills for the Municipal Street Fund.

Village of Webberville

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Notes to Financial Statements

March 31, 2014

**1. Summary of Significant Accounting Policies (continued)**

**Revenues and Expenditures/Expenses (continued)**

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's enterprise and internal service funds are charges to customers for sales and services. The Sewer and Water funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the systems. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**2. Detailed Notes on All Activities and Funds**

**Deposits and Investments**

At year end, the Village's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
Cash and cash equivalents	\$ 774,979	\$ 413,647	\$ 1,188,626	\$ 7,621
Restricted cash	-	99,912	99,912	-
	<u>\$ 774,979</u>	<u>\$ 513,559</u>	<u>\$ 1,288,538</u>	<u>\$ 7,621</u>

Village of Webberville  
Notes to Financial Statements

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March 31, 2014

**2. Detailed Notes on All Activities and Funds (continued)**

**Deposits and Investments (continued)**

Statutory Authority

The Village is authorized by the State of Michigan to invest surplus funds in the following:

- Bonds, securities, repurchase agreements and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.

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

- Mutual funds registered under the Investment Company Act of 1940 with authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Investment and Deposit Risk

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The Village's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds, and qualified external investment pools as identified above. The Village's investment policy does not have specific limits in excess of state law on investment credit risk.



Village of Webberville

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Notes to Financial Statements

March 31, 2014

**2. Detailed Notes on All Activities and Funds (continued)**

**Deposits and Investments (continued)**

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Village’s deposits may not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. As of year-end \$1,001,578 of the Village’s bank balance of \$1,251,578 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Village does not have a policy for investment custodial credit risk. Therefore, there is no custodial credit risk to be disclosed.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Village’s investment policy does not have specific limits in excess of state law on concentration of credit risk.

**Receivables**

Amounts are aggregated into a single accounts receivable line in the statement of net position. Below is the detail of receivables in the primary government and component units:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Component Units</b>
Accounts:			
Billings	\$ 6,032	\$ 66,760	\$ –
Taxes	838	–	–
Other	–	–	250,010
Due within one year	<u>\$ 6,870</u>	<u>\$ 66,760</u>	<u>\$ 250,010</u>



Village of Webberville

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Notes to Financial Statements

March 31, 2014

**2. Detailed Notes on All Activities and Funds (continued)**

**Capital Assets**

Capital assets activity for primary government for the year ended March 31, 2014, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Governmental activities</b>				
Capital assets				
not being depreciated:				
Land	\$ 70,208	\$ —	\$ —	\$ 70,208
Capital assets being depreciated:				
Motor pool equipment	197,696	8,772	—	206,468
Buildings	717,620	8,576	—	726,196
Office equipment	54,320	—	—	54,320
DPW equipment	173,732	—	—	173,732
Infrastructure	324,399	34,990	—	359,389
Sidewalk project	29,085	—	—	29,085
Total capital assets being depreciated	1,496,852	52,338	—	1,549,190
Accumulated depreciation:				
Motor pool equipment	(146,421)	(16,107)	—	(162,528)
Buildings	(387,140)	(20,361)	—	(407,501)
Office equipment	(54,298)	(22)	—	(54,320)
DPW equipment	(173,732)	—	—	(173,732)
Infrastructure	(120,324)	(16,220)	—	(136,544)
Sidewalk project	(8,576)	(969)	—	(9,545)
Total accumulated depreciation	(890,491)	(53,679)	—	(944,170)
Total capital assets being depreciated, net	606,361	(1,341)	—	605,020
Governmental activities capital assets, net	\$ 676,569	\$ (1,341)	\$ —	\$ 675,228

Village of Webberville

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Notes to Financial Statements

March 31, 2014

**2. Detailed Notes on All Activities and Funds (continued)**

**Capital Assets (continued)**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Business-type activities</b>				
Capital assets				
not being depreciated:				
Land	\$ 71,629	\$ —	\$ —	\$ 71,629
Capital assets being depreciated:				
Buildings and system	6,272,129	—	—	6,272,129
Machinery and equipment	59,156	33,598	—	92,754
Total capital assets being depreciated	6,331,285	33,598	—	6,364,883
Accumulated depreciation:				
Buildings and system	(2,515,739)	(112,094)	—	(2,627,833)
Machinery and equipment	(41,477)	(2,296)	—	(43,773)
Total accumulated depreciation	(2,557,216)	(114,390)	—	(2,671,606)
Total capital assets being depreciated, net	3,774,069	(80,792)	—	3,693,277
Business-type activities capital assets, net	\$ 3,845,698	\$ (80,792)	\$ —	\$ 3,764,906

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

<b>Governmental activities</b>	
General government	\$ 21,352
Internal service	16,107
Infrastructure	16,220
Total depreciation expense – governmental activities	<u>\$ 53,679</u>
<b>Business activities</b>	
Water	\$ 57,243
Sewer	57,147
Total depreciation expense – business activities	<u>\$ 114,390</u>

Village of Webberville

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Notes to Financial Statements

March 31, 2014

**2. Detailed Notes on All Activities and Funds (continued)**

**Discretely Presented Component Unit**

Activity for the Downtown Development Authority for the year ended March 31, 2014, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 757,926	\$ -	\$ -	\$ 757,926
Capital assets being depreciated:				
Streetscape	57,164	-	-	57,164
Total capital assets being depreciated	57,164	-	-	57,164
Accumulated depreciation:				
Streetscape	(8,507)	(2,858)	-	(11,365)
Total accumulated depreciation	(8,507)	(2,858)	-	(11,365)
Total capital assets being depreciated, net	48,657	(2,858)	-	45,799
Downtown Development Authority capital assets, net	\$ 806,583	\$ (2,858)	\$ -	\$ 803,725

**Interfund Receivables, Payables, and Transfers**

Interfund receivable and payable balances as of March 31, 2014 consisted of the following:

<u>Due To</u>	<u>Due From</u>			<u>Total</u>
	<u>General Fund</u>	<u>DDA</u>	<u>Trust and Agency</u>	
General fund	\$ -	\$ 1,153	\$ 5,179	\$ 6,332
Water fund	664		-	664
	<u>\$ 664</u>	<u>\$ 1,153</u>	<u>\$ 5,179</u>	<u>\$ 6,996</u>

Village of Webberville  
Notes to Financial Statements

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March 31, 2014

**2. Detailed Notes on All Activities and Funds (continued)**

**Interfund Receivables, Payables, and Transfers (continued)**

Interfund transfers for the year ended March 31, 2014, consisted of the following:

<u>Transfer From</u>		<u>Transfer To</u>	
General	\$ 130,198	General	\$ 16,900
Local Street	200	Local Street	-
Municipal Street	17,855	Municipal Street	-
DDA	98,647	DDA	148,053
Water	750	Water	54,141
Sewer	750	Sewer	29,506
Major	200	Major	-
<b>Total</b>	<u>\$ 248,600</u>	<b>Total</b>	<u>\$ 248,600</u>

**Long-Term Debt**

Downtown Development Authority

During the fiscal year ended March 31, 2004, the Village of Webberville Downtown Development Authority issued the Downtown Development Bonds, Series 2003 in the amount of \$1,075,000. The bonds were issued for the purpose of paying the balance of the Hawley and Mason properties and other capital improvements projects.

The bond is a draw bond with principal to be drawn not later than December 30, 2005. The aggregate amount of draws shall not exceed \$1,075,000. Interest is payable each November 1 and May 1, each year. The interest rate is determined by subsequent determination of the principal stated by bond holder. The rate for the taxable interest is based on the Wall Street Journal Prime rate plus ½ percentage point and the interest rate for non-taxable interest is 4.09%.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$ 7,072</u>	<u>\$ 178</u>	<u>\$ 7,250</u>

Village of Webberville  
Notes to Financial Statements

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March 31, 2014

**2. Detailed Notes on All Activities and Funds (continued)**

**Long-Term Debt (continued)**

Water

The Village issued the 2011 Water Supply and Wastewater Treatment Revenue Refunding Bonds in the amount of \$870,000. These bonds bear interest at 4.135%, payable May 1 and November 1 of each year commencing November 1, 2011. Bonds are payable through November 1, 2018.

Outstanding balances as of March 31, 2014:

**Water and Wastewater Revenue and Refunding Bonds, Series 2011**

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
05-01-14	\$ 46,000	\$ 10,234	\$ 56,234
11-01-14	46,000	9,283	55,283
05-01-15	47,000	8,332	55,332
11-01-15	47,000	7,360	54,360
05-01-16	49,000	6,389	55,389
11-01-16	48,000	5,376	53,376
05-01-17	53,000	4,383	57,383
11-01-17	52,000	3,287	55,287
05-01-18	54,000	2,212	56,212
11-01-18	53,000	1,096	54,096
	<u>\$ 495,000</u>	<u>\$ 57,952</u>	<u>\$ 552,952</u>

Sewer

The Village issued \$228,000 of Capital Improvement Bonds for the purpose of paying all or part of the cost of acquiring and constructing certain improvements to the Sanitary Sewer System. The bonds will be payable from funds lawfully available for such purposes. The source of the payments is expected to be from sewer rates and charges.

The bonds bear interest at 2.45% with principal and interest payments due May 1, and November 1, starting November 1, 2012 and ending November 1, 2019.

Village of Webberville  
Notes to Financial Statements

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March 31, 2014

**2. Detailed Notes on All Activities and Funds (continued)**

**Long-Term Debt (continued)**

Outstanding balances as of March 31, 2014:

<b>Capital Improvement Bonds</b>			
<b>Payment Date</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
05-01-14	\$ 14,000	\$ 2,278	\$ 16,278
11-01-14	14,000	2,107	16,107
05-01-15	15,000	1,935	16,935
11-01-15	15,000	1,751	16,751
05-01-16	15,000	1,568	16,568
11-01-16	15,000	1,384	16,384
05-01-17	16,000	1,200	17,200
11-01-17	16,000	1,004	17,004
05-01-18	16,000	808	16,808
11-01-18	16,000	612	16,612
05-01-19	17,000	416	17,416
11-01-19	17,000	208	17,208
	\$ 186,000	\$ 15,271	\$ 201,271

**Employee Retirement Systems**

As of April 1, 1995, the Village is a member of the Municipal Employees Retirement System (MERS). Full-time employees contribute, on a pre-tax basis, 5.5% of their gross wage. The actuary has determined the Village's contributions to be \$4,949 for the year ended March 31, 2014 at a rate of 4.63%. Each year the quarterly contribution is recalculated based on the actual wage paid to employees during the prior fiscal year. During the year, \$31,370 was paid to MERS including voluntary contributions by the Village in the amount of \$22,000. The pension covered \$154,655 of the Village's payroll. At March 31, 2014, \$6,178 was still due to MERS for March 2014, including an additional voluntary contribution of \$4,000 by the Village.

**Prior Period Adjustments**

During the fiscal year ended March 31, 2014, the Village made a prior period adjustment so the financial statements are in conformity with GASB 65. In the Sewer Fund, the remaining bond cost of \$27,239 was adjusted to Fund Balance. In the Water Fund, the remaining bond cost of \$15,662 was adjusted to Fund Balance.

Village of Webberville  
Notes to Financial Statements

**DRAFT**

March 31, 2014

**2. Detailed Notes on All Activities and Funds (continued)**

**Subsequent Events**

Subsequent events have been evaluated through September 26, 2016, the date which the financial statements were available to be issued.

**New Pronouncements**

The GASB has issued the following recent standards.

Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued in June 2012 to improve accounting and financial reporting by state and local governments for pensions. The Village is adopting this Standard for the year ending March 31, 2016. Although the requirements of the Standard are not expected to significantly affect the Village's current cash flow for recording pension expenditure payments, it will add a substantial liability to the statement of net position.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics: (1) Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable, (2) Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms, and (3) Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Additional footnote disclosures and required supplementary information requirements about pensions are also addressed.

The Village expects this standard to have a significant effect on its financial statements.

Village of Webberville  
Notes to Financial Statements

**DRAFT**

March 31, 2014

**2. Detailed Notes on All Activities and Funds (continued)**

**New Pronouncements (continued)**

Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for fiscal years beginning after June 15, 2015. The Village does not believe this standard will significantly affect financial statements when adopted.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, identifies the hierarchy of GAAP which consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This standard will not have a direct effect on the Village's financial statements.

Statement No. 77, *Tax Abatement Disclosures*, will require disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. Governments that enter into tax abatement agreements will be required to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The requirements of this Statement are effective for fiscal periods beginning after December 15, 2015, which for the Village will be for the year ending March 31, 2017. The Village will evaluate whether this standard will have a material effect, if any on its financial statements.



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Required Supplementary Information

Village of Webberville

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General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual

Year Ended March 31, 2014

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes and penalties	\$ 489,000	\$ 489,000	\$ 551,843	\$ 62,843
Licenses and permits	-	17,600	12,970	(4,630)
State grants/shared revenues	125,600	125,600	110,031	(15,569)
Charges for services – refuse	65,000	65,000	52,469	(12,531)
Fines, forfeitures and other fees	-	-	7,290	7,290
Rental revenue	-	-	2,710	2,710
Interest and other miscellaneous	1,500	1,500	7,767	6,267
<b>Total revenues</b>	<b>681,100</b>	<b>698,700</b>	<b>745,080</b>	<b>46,380</b>
<b>Expenditures</b>				
General government	253,000	253,000	107,876	145,124
Public safety	238,000	238,000	237,244	756
Public works	95,000	102,600	188,059	(85,459)
Community and economic development	40,500	50,500	48,644	1,856
Recreation and culture	1,000	1,000	872	128
<b>Total expenditures</b>	<b>627,500</b>	<b>645,100</b>	<b>582,695</b>	<b>62,405</b>
Excess (deficiency) of revenues over expenditures	53,600	53,600	162,385	108,785
<b>Other financing sources (uses):</b>				
Transfers in	28,600	28,600	16,900	(11,700)
Transfers out	(107,000)	(107,000)	(130,198)	(23,198)
<b>Total other financing sources (uses)</b>	<b>(78,400)</b>	<b>(78,400)</b>	<b>(113,298)</b>	<b>(34,898)</b>
Net change in fund balance	(24,800)	(24,800)	49,087	-
Fund balance at beginning of period	108,699	108,699	108,699	-
<b>Fund balance at end of period</b>	<b>\$ 83,899</b>	<b>\$ 83,899</b>	<b>\$ 157,786</b>	<b>\$ 73,887</b>

Village of Webberville

**DRAFT**

Major Street Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual

Year Ended March 31, 2014

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
State highway funds	\$ 66,000	\$ 66,000	\$ 68,716	\$ 2,716
Interest	750	750	802	52
Other revenue and reimbursement	4,000	4,000	8,561	4,561
<b>Total revenues</b>	<b>70,750</b>	<b>70,750</b>	<b>78,079</b>	<b>7,329</b>
<b>Expenditures</b>				
DPW – administrative wages and benefits	31,100	31,100	24,302	6,798
Equipment rentals	12,000	12,000	27,895	(15,895)
Supplies	800	800	-	800
Road maintenance	15,000	15,000	41,376	(26,376)
Striping	-	-	-	-
Tree trimming	-	-	-	-
Traffic lights	-	-	-	-
Signs/capital outlay	7,800	7,800	-	7,800
Professional fees	33,000	33,000	2,788	30,212
<b>Total expenditures</b>	<b>99,700</b>	<b>99,700</b>	<b>96,361</b>	<b>3,339</b>
Excess of revenues over (under) expenditures	(28,950)	(28,950)	(18,282)	10,668
Other operating sources (uses):				
Transfers in	-	-	-	-
Transfers out	(3,000)	(3,000)	(200)	(2,800)
<b>Total operating sources (uses)</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>(200)</b>	<b>(2,800)</b>
Excess of revenues and other sources over (under) expenditures and other uses	(31,950)	(31,950)	(18,482)	13,468
Fund balance at beginning of year	423,654	423,654	423,654	-
<b>Fund balance at end of year</b>	<b>\$ 391,704</b>	<b>\$ 391,704</b>	<b>\$ 405,172</b>	<b>\$</b>

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Other Supplementary Information

Village of Webberville

**DRAFT**

Downtown Development Authority – Component Unit  
Balance Sheet

March 31, 2014

**Assets**

Cash – checking	\$	7,621
Due from other governmental units		250,010
Total assets	\$	<u>257,631</u>

**Liabilities and fund balance**

Liabilities:

Accounts payable	\$	2,309
Due to other funds		1,153
Accrued interest payable		106
Total liabilities		<u>3,568</u>

Fund balance:

Unassigned		<u>254,063</u>
Total fund balance		254,063

Total liabilities and fund balance	\$	<u>257,631</u>
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Village of Webberville

**DRAFT**

Downtown Development Authority – Component Unit  
Reconciliation of Balance Sheet to Statement of Net Position

March 31, 2014

**Fund balance – governmental funds** \$ 254,063

Amounts reported for the governmental activities in the Statement of Net Position are different because:

Capital assets (land) used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds

Cost of capital assets	815,090
Accumulated depreciation	(11,365)

Certain liabilities such as notes payable are not due and payable within the current period and, therefore, are not reported in these funds.

(7,072)

**Total net position – governmental activities** \$ 1,050,716

Village of Webberville

**DRAFT**

Downtown Development Authority – Component Unit  
Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended March 31, 2014

<b>Revenues</b>	
Interest	\$ 68
Other – TIFA revenues	294,802
Total revenues	<u>294,870</u>
<b>Expenditures</b>	
Mowing/landscaping	1,666
Contracted services – EDC	20,191
Legal and publishing	3,179
Office expense	1,040
Banners/signs/other maintenance	912
Long-term debt	59,722
Interest expense	433
Drains	159,168
Engineering	1,500
Tax tribunal/TIFA reimbursements	7,312
Street lights/electric	14,761
Audit	800
Total expenditures	<u>270,684</u>
Excess of revenues over (under) expenditures	24,186
Other financing sources (uses):	
Transfers from primary government	148,053
Transfers to primary government	<u>(98,647)</u>
Total other financing sources (uses)	49,406
Excess of revenues over (under) expenditures and transfers	73,592
Fund balance at beginning of year	<u>180,471</u>
Fund balance at end of year	<u><u>\$ 254,063</u></u>

Village of Webberville

**DRAFT**

Downtown Development Authority – Component Unit  
Reconciliation of Statement of Revenues, Expenditures, and  
Changes in Fund Balance to Statement of Activities

Year Ended March 31, 2014

**Net change in fund balance** \$ 73,592

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense (2,858)

Loans payable and subsequent payments are reported as expenditures in governmental funds, but the subsequent payments reduce loan balance. In the current year, these amounts consist of:

Loans payable – principal payments 59,722

**Change in net assets of governmental activities** \$ 130,456



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**Audited Financial Statements  
and Other Supplementary Information**

**Village of Webberville**

*Year Ended March 31, 2014  
with Report of Independent Auditors*

Village of Webberville  
List of Council Members

**DRAFT**

March 31, 2014

**Village Council**

Brad Hitchcock

President

Robert R. Ackerman

President Pro-Tem

*Correct*  
~~Dennis Kelly~~

Trustee

*Should be A*  
~~Dan Horton~~

Trustee

Mel Lewis

Trustee

**Administrative Officers**

Jaymee Hord

Clerk/Treasurer

Shelly Miller

Deputy Clerk/Deputy Treasurer

Village of Webberville

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Audited Financial Statements  
and Other Supplementary Information

Year Ended March 31, 2014

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Village of Webberville

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Audited Financial Statements  
and Other Supplementary Information

Year Ended March 31, 2014

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## Report of Independent Auditors

To the Village Council  
Village of Webberville  
Webberville, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Webberville, as of and for the year ended March 31, 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. 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 purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

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In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Webberville, as of March 31, 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.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7, and the budgetary comparison schedule on pages 37-38 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 Webberville's basic financial statements. The Downtown Development Authority – Component Unit's financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Owosso, Michigan  
September 26, 2016

# Village of Webberville

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## Management's Discussion and Analysis

March 31, 2014

The following is a discussion and analysis of the Village of Webberville's (Village) financial activities for the year ended March 31, 2014. This analysis should be read in conjunction with the Report of Independent Auditors and with the Village's financial statements, which follows this section. All amounts, unless otherwise indicated, are presented in whole dollars.

### **Financial Highlights**

The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$5,147,227 (net position). Of this amount, \$683,556 (unrestricted net position) may be used to meet the government's ongoing obligations to the citizens and creditors.

The government's total net position increased by \$290,455.

At the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$762,411, an increase of \$60,405 in comparison with the prior year. Approximately \$151,754 of this total amount is available for spending at the government's discretion (unassigned fund balance).

### **Overview of the Financial Statements**

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

**Government-Wide Financial Statements** – The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private sector business.

The statement of net position presents information on all the Village's assets and liabilities, with a difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Management's Discussion and Analysis

March 31, 2014

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, public works, recreation and culture, and community and economic development. The business-type activities of the Village include water and sewer operations.

The government-wide financial statements include not only the Village itself (known as the primary government), but also the legally separate Downtown Development Authority for which the Village is financially accountable. Financial information presented for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found beginning on page 8 of this report.

**Fund Financial Statements** – 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all the governmental funds.



Village of Webberville

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Management's Discussion and Analysis

March 31, 2014

The Village adopts an annual appropriated budget for its general fund and all special revenue fund types. Budgetary comparison statements and schedules have been provided in the supplementary information for the major funds to demonstrate the extent of compliance with these budgets.

The basic governmental fund financial statements can be found beginning on page 10 of this report.

**Proprietary Funds** – The Village maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its Sewer and Water operation. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village uses an internal service fund to account for its fleet of vehicles. Because the services of the fund predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer operations, all of which are considered to be major funds of the Village. Also, the internal service fund is presented in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found beginning on page 14 of this report.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Village's own programs. Currently the Village has no fiduciary funds.

**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. The notes to the financial statements can be found beginning on page 17 of this report.

Village of Webberville

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Management's Discussion and Analysis

March 31, 2014

**Village as a Whole**

The following table shows, in a condensed format, the net position of the current date compared to the prior year:

	<u>2014</u>	<u>2013</u>
Current assets	\$ 1,418,360	\$ 1,15,532
Capital assets (net of depreciation)	<u>4,440,134</u>	<u>4,522,271</u>
Total assets	<u>5,858,494</u>	<u>5,837,803</u>
Current liabilities	30,267	106,031
Non-current liabilities – long-term	<u>681,000</u>	<u>875,000</u>
Total liabilities	<u>711,267</u>	<u>981,031</u>
Net position	<u>\$ 5,147,227</u>	<u>\$ 4,856,772</u>

The following table shows the change in net position for the year ended March 31, 2014:

	<u>2014</u>	<u>2013</u>
Program revenues:		
Charges for services – governmental activities	\$ 131,488	\$ 66,330
Charges for services – business-type activities	554,534	537,054
General revenues:		
State-shared revenues/Metro Act fund	217,009	204,780
Property tax revenue (net of refunds)	626,634	546,085
Investment income	3,462	4,585
Other general revenues	<u>20,274</u>	<u>60,247</u>
Total revenues	<u>1,553,401</u>	<u>1,419,081</u>
Program expenses:		
General government	172,322	67,621
Public safety (police)	237,244	235,041
Public works	309,648	423,880
Recreation and culture	872	613
Community and economic development	48,644	-
Water and sewer	<u>446,310</u>	<u>418,240</u>
Total expenses before net transfers	<u>1,215,040</u>	<u>1,145,395</u>
Net transfers between general government and component unit	<u>47,906</u>	<u>25,638</u>
Total expenses including net transfers	<u>1,262,946</u>	<u>1,171,033</u>
Change in net position	<u>\$ 290,455</u>	<u>\$ 248,048</u>

Village of Webberville

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Management's Discussion and Analysis

March 31, 2014

**General Fund Budgetary Highlights**

During the course of the year, the Village amended the budget to take into account events during the year. General Fund revenues originally were budgeted at \$681,100 (not including interfund transfers). The budget was amended to \$689,700 for revenues. Actual revenues were \$745,298.

**Financial Analysis of the Village's Funds**

General Fund – increase in fund balance (net of interfund transfers)	\$	49,087
Major Street – decrease in fund balance		(18,482)
Local Street – increase in fund balance		1,779
Municipal Street – increase in fund balance		28,017
Building Authority – increase in fund balance		4
Downtown Development Authority – increase in fund balance of		73,592

**Capital Asset and Long-Term Debt Activity**

The Village's component unit activities paid \$59,722 of principal on long-term debt.

The Village spent \$34,990 on road improvements.

The Village spent \$17,348 on other equipment.

**Known Factors Affecting the Future Operations**

The future of state revenue sharing is clouded and it represents a significant portion of our income. It is predicted that state revenue sharing will continue to decrease.

**Contacting the Village's Management**

This financial report is intended to provide our taxpayers, creditors, investors, and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Village Clerk/Treasurer at (517) 521-3984.

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## Basic Financial Statements

Village of Webberville

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Statement of Net Position

March 31, 2014

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 774,979	\$ 513,559	\$ 1,288,538	\$ 7,621
Receivables	6,870	66,760	73,630	250,010
Due from other funds	5,179	664	5,843	-
Due from other government units	50,349	-	50,349	-
Capital assets (net)	675,228	3,764,906	4,440,134	803,725
<b>Total assets</b>	<b>1,512,605</b>	<b>4,345,889</b>	<b>5,858,494</b>	<b>1,061,356</b>
<b>Liabilities</b>				
Accounts payable	5,532	11,007	16,539	2,309
Due to other funds	(489)	-	(489)	1,153
Accrued and other liabilities	3,790	10,427	14,217	106
Noncurrent liabilities:				
Due within one year	-	120,000	120,000	7,072
Due in more than one year	-	561,000	561,000	-
<b>Total liabilities</b>	<b>8,833</b>	<b>702,434</b>	<b>711,267</b>	<b>10,639</b>
<b>Net position</b>				
Invested in capital assets, net of related debt	675,228	3,083,906	3,759,134	796,653
Restricted for:				
Sewer and water	-	99,912	99,912	-
Major/local/municipal streets	601,331	-	601,331	-
Committed:				
Non-major funds	3,294	-	3,294	-
Unreserved	223,919	459,637	683,556	254,063
<b>Total net position</b>	<b>\$ 1,503,772</b>	<b>\$ 3,643,455</b>	<b>\$ 5,147,227</b>	<b>\$ 1,050,716</b>

Village of Webberville

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Statement of Activities

Year Ended March 31, 2014

Functions/Programs	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Component Unit
	Expenses	Charges for Services	Governmental Activities	Business-Type Activities	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 172,322	\$ 79,019	\$ (93,303)	\$ -	\$ (93,303) \$ (213,388)
Public safety	237,244	-	(237,244)	-	(237,244)
Public works	309,648	-	(257,179)	-	(257,179)
Community and economic development	48,644	52,469	(48,644)	-	(48,644)
Recreation and culture	872	-	(872)	-	(872)
Interest on long-term debt	-	-	-	-	(433)
Total governmental activities	768,730	131,488	(637,242)	-	(637,242) (213,821)
Business-type activities:					
Sewer	202,246	290,405	-	88,159	88,159
Water	244,064	264,129	-	20,065	20,065
Total business-type activities	446,310	554,534	-	108,224	108,224
Total primary government	\$ 1,215,040	\$ 686,022	(637,242)	108,224	(529,018)
General revenues:					
Property taxes			626,634	-	626,634
State-shared revenue/Metro Act			217,009	-	217,009
Unrestricted investment earnings			2,073	1,389	3,462
Miscellaneous other revenue			20,277	-	20,277
Transfers – net			(131,553)	83,647	(47,906)
Total general revenues and transfers			734,440	85,036	819,476
Change in net position			97,198	193,260	290,458
Net position, beginning of period, as restated			1,406,574	3,450,195	4,856,772
Net position at end of period			\$ 1,503,772	\$ 3,643,455	\$ 5,147,230
					\$ 1,050,716

See accompanying notes.

Village of Webberville

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Governmental Funds  
Balance Sheet

March 31, 2014

	General Fund	Major Street Fund	Local Street Fund	Municipal Street Fund	Webberville Building Authority	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 135,601	\$ 389,487	\$ 136,106	\$ 55,053	\$ 3,294	\$ 719,541
Receivables	6,769	-	-	101	-	6,870
Due from other funds	5,179	-	-	-	-	5,179
Due from State of Michigan	26,612	17,722	6,015	-	-	50,349
<b>Total assets</b>	<b>\$ 174,161</b>	<b>\$ 407,209</b>	<b>\$ 142,121</b>	<b>\$ 55,154</b>	<b>\$ 3,294</b>	<b>\$ 781,939</b>
<b>Liabilities and fund balance</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 5,249	\$ 13	\$ 6	\$ -	\$ -	\$ 5,268
Due to other funds	(489)	-	-	-	-	(489)
Payroll liabilities payable	2,064	982	744	-	-	3,790
<b>Total liabilities</b>	<b>6,824</b>	<b>995</b>	<b>750</b>	<b>-</b>	<b>-</b>	<b>8,569</b>
<b>Aggregate deferred inflows of resources:</b>						
Deferred inflows - state revenue	9,551	1,042	366	-	-	10,959
<b>Total aggregate deferred inflows of resources</b>	<b>9,551</b>	<b>1,042</b>	<b>366</b>	<b>-</b>	<b>-</b>	<b>10,959</b>
<b>Fund balance:</b>						
Restricted – streets	-	405,172	141,005	55,154	-	601,331
Assigned – refuse	6,032	-	-	-	-	6,032
Committed – non-major funds	-	-	-	-	3,294	3,294
Unassigned	151,754	-	-	-	-	151,754
<b>Total fund balance</b>	<b>157,786</b>	<b>405,172</b>	<b>141,005</b>	<b>55,154</b>	<b>3,294</b>	<b>762,411</b>
<b>Total liabilities, deferred inflows, and fund balance</b>	<b>\$ 174,161</b>	<b>\$ 407,209</b>	<b>\$ 142,121</b>	<b>\$ 55,154</b>	<b>\$ 3,294</b>	<b>\$ 781,939</b>

See accompanying notes.

Village of Webberville

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Governmental Funds  
Reconciliation of Balance Sheet to Statement of Net Position

March 31, 2014

**Total fund balance – governmental funds** \$ 762,411

Total 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 are not reported in the funds

Cost of capital assets	1,412,931
Accumulated depreciation	(781,644)
Capital assets, net	<u>631,287</u>

Revenue deferred in government fund statements if not received within sixty days. 10,959

An internal service fund is used by management to charge the costs of certain equipment usage to individual funds. A portion of the assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position. 99,115

**Net position – governmental activities** \$ 1,503,772



Village of Webberville

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Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended March 31, 2014

	General Fund	Major Street Fund	Local Street Fund	Municipal Street Fund	Webberville Building Authority	Total Governmental Funds
<b>Revenues</b>						
Taxes and penalties	\$ 551,843	\$ -	\$ -	\$ 74,791	\$ 4	\$ 626,638
Licenses and permits	12,970	-	-	-	-	12,970
State grants/shared revenues	110,031	68,716	22,953	-	-	201,700
Metro act	-	4,348	-	-	-	4,348
Charges for services	52,469	-	-	-	-	52,469
Fines, forfeitures, and other fees	7,290	-	-	-	-	7,290
Rental revenue	2,710	-	153	75	-	2,938
Interest and other miscellaneous	7,767	5,015	1,482	-	-	14,264
<b>Total revenues</b>	<b>745,080</b>	<b>78,079</b>	<b>24,588</b>	<b>74,866</b>	<b>4</b>	<b>922,617</b>
<b>Expenditures</b>						
Current:						
General government	107,876	-	-	-	-	107,876
Public safety	237,244	-	-	-	-	237,244
Public works	188,059	96,361	22,609	327	-	307,356
Community and economic development	48,644	-	-	-	-	48,644
Recreation and culture	872	-	-	-	-	872
Drains	-	-	-	28,667	-	28,667
<b>Total expenditures</b>	<b>582,695</b>	<b>96,361</b>	<b>22,609</b>	<b>28,994</b>	<b>-</b>	<b>730,659</b>
<b>Excess of revenues over expenditures</b>	<b>162,385</b>	<b>(18,282)</b>	<b>1,979</b>	<b>45,872</b>	<b>4</b>	<b>191,958</b>
<b>Other financing sources (uses)</b>						
Transfers in	16,900	-	-	-	-	16,900
Transfers out	(130,198)	(200)	(200)	(17,855)	-	(148,453)
<b>Total financing sources and uses</b>	<b>(113,298)</b>	<b>(200)</b>	<b>(200)</b>	<b>(17,855)</b>	<b>-</b>	<b>(131,553)</b>
<b>Net change in fund balance</b>	<b>49,087</b>	<b>(18,482)</b>	<b>1,779</b>	<b>28,017</b>	<b>4</b>	<b>60,405</b>
Fund balance at beginning of period	108,699	423,654	139,226	27,137	3,290	702,006
Fund balance at end of period	\$ 157,786	\$ 405,172	\$ 141,005	\$ 55,154	\$ 3,294	\$ 762,411

See accompanying notes.

Village of Webberville

**DRAFT**

Governmental Funds  
 Reconciliation of Statement of Revenues, Expenditures, and  
 Changes in Fund Balance to Statement of Activities

Year Ended March 31, 2014

**Net change in fund balance – total governmental funds** \$ 60,405

Total 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 are allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(37,573)
Capital outlay	43,566
	<u>5,993</u>

Revenue earned but not collected within sixty days is deferred in the governmental fund statements but recognized as revenue in the statement of activities.	10,959
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An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. A portion of the net revenue (expense) is reported with governmental activities.	<u>19,838</u>
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<b>Change in net position – governmental activities</b>	<b>\$ <u><u>97,195</u></u></b>
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Village of Webberville

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Proprietary Funds  
Statement of Net Position

March 31, 2014

	Business-Type Activities			Internal Service Fund
	Enterprise Funds			
	Sewer	Water	Total	Motor Pool
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 219,546	\$ 194,101	\$ 413,647	\$ 55,438
Customer receivables	31,595	35,165	66,760	-
Due from other funds	-	664	664	-
Total current assets	251,141	229,930	481,071	55,438
Capital assets	3,305,679	3,130,833	6,436,512	206,468
Less accumulated depreciation	(1,390,015)	(1,281,591)	(2,671,606)	(162,528)
Net property, plant, and equipment	1,915,664	1,849,242	3,764,906	43,940
Restricted assets:				
Cash/bond and interest redemption	44,583	55,329	99,912	-
Total assets	2,211,388	2,134,501	4,345,889	99,378
<b>Liabilities</b>				
Current liabilities:				
Accounts and deposits payable	4,809	6,198	11,007	264
Due to other funds	-	-	-	-
Current portion of noncurrent liabilities	77,680	42,320	120,000	-
Accrued interest payable	6,504	3,923	10,427	-
Total current liabilities	88,993	52,441	141,434	264
Noncurrent liabilities:				
Bonds, notes, and loans payable	453,300	227,700	681,000	-
Current portion of noncurrent liabilities	(77,680)	(42,320)	(120,000)	-
Total noncurrent liabilities	375,620	185,380	561,000	-
<b>Net position</b>				
Invested in capital assets, net of related debt	1,462,364	1,621,542	3,083,906	43,940
Reserved for restricted assets	44,583	55,329	99,912	-
Other unrestricted	239,828	219,809	459,637	55,174
Total net position	\$ 1,746,775	\$ 1,896,680	\$ 3,643,455	\$ 99,114

See accompanying notes.

Village of Webberville

**DRAFT**

Proprietary Funds  
Statement of Revenues, Expenses, and Changes in Net Position

Year Ended March 31, 2014

	<b>Business-Type Activities</b>			
	<b>Enterprise Funds</b>			<b>Internal</b>
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>	<b>Service Fund Motor Pool</b>
<b>Operating revenues</b>				
Charges for services	\$ 283,307	\$ 253,709	\$ 537,016	\$ 63,339
Connection and tap charges	167	4,562	4,729	-
Penalties	6,816	5,400	12,216	-
Other income	115	458	573	511
Total operating revenues	<u>290,405</u>	<u>264,129</u>	<u>554,534</u>	<u>63,850</u>
<b>Operating expenses</b>				
Salaries and benefits	77,826	77,612	155,438	-
Supplies/rentals	11,291	32,618	43,909	-
Other services and charges	13,983	22,085	36,068	4,189
Repairs, maintenance, and other	24,936	44,048	68,984	23,765
Depreciation/amortization	57,147	57,243	114,390	16,107
Total operating expenses	<u>185,183</u>	<u>233,606</u>	<u>418,789</u>	<u>44,061</u>
Operating income (loss)	<u>105,222</u>	<u>30,523</u>	<u>135,745</u>	<u>19,789</u>
<b>Nonoperating (expenses) revenues</b>				
Interest and investment revenues	824	565	1,389	49
Interest and investment expenses	(17,063)	(10,458)	(27,521)	-
Total nonoperating (expenses) revenues	<u>(16,239)</u>	<u>(9,893)</u>	<u>(26,132)</u>	<u>49</u>
Income (loss) before transfers	88,983	20,630	109,613	19,838
Transfers in – other funds	-	-	-	-
Transfers in – component	29,506	54,141	83,647	-
Total transfers	<u>29,506</u>	<u>54,141</u>	<u>83,647</u>	<u>-</u>
Change in net position	118,489	74,771	193,260	19,838
Net position at beginning of period, adjusted	1,628,286	1,821,909	3,450,195	79,276
Net position at end of period	<u>\$ 1,746,775</u>	<u>\$ 1,896,680</u>	<u>\$ 3,643,455</u>	<u>\$ 99,114</u>

See accompanying notes.

Village of Webberville

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Proprietary Funds  
Statement of Cash Flows

Year Ended March 31, 2014

	<u>Business-Type Activities</u>			<u>Internal Service Funds Motor Pool</u>
	<u>Enterprise Funds</u>			
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
<b>Cash flows from operating activities</b>				
Receipt from customer	\$ 287,354	\$ 252,373	\$ 539,727	\$ -
Payments to suppliers	(74,381)	(123,727)	(198,108)	(28,457)
Payments to employees	(52,607)	(52,357)	(104,964)	-
Other receipts (payments)	29,506	54,141	83,647	63,850
Net cash from operating activities	189,872	130,430	320,302	35,393
<b>Cash flows from capital and related financing activities</b>				
Issuance of new debt	-	-	-	-
Retirement of debt	(117,700)	(76,300)	(194,000)	-
Interest and fiscal charges paid	(18,894)	(11,773)	(30,667)	-
Investment in capital assets	(24,650)	(8,949)	(33,599)	(8,772)
Net cash from capital and related financing activities	(161,244)	(97,022)	(258,266)	(8,772)
<b>Cash flows from investing activities</b>				
Interest revenue, net of early withdrawal penalties	824	565	1,389	49
Net change in cash and cash equivalents	29,452	33,973	63,425	26,670
Cash and cash equivalents at beginning of period	234,677	215,457	450,134	28,768
Cash and cash equivalents at end of period	\$ 264,129	\$ 249,430	\$ 513,559	\$ 55,438
<b>Reconciliation of income (loss) to net cash from operating activities</b>				
Operating income (loss)	\$ 134,728	\$ 84,665	\$ 219,393	\$ 19,789
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	57,147	57,243	114,390	16,107
Change in receivables/prepays	(3,051)	(11,756)	(14,807)	-
Change in accounts payable	1,048	278	1,326	(503)
Net cash from operating activities	\$ 189,872	\$ 130,430	\$ 320,302	\$ 35,393

See accompanying notes.

# Village of Webberville

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## Notes to Financial Statements

March 31, 2014

### **1. Summary of Significant Accounting Policies**

The accounting policies of the Village of Webberville (Village), conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant policies used by the Village.

#### **Description of Government-Wide 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 units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

#### **Reporting Entity**

A Village Council (Council) is the governing body elected by the community at large. The Council consists of four elected trustees and an elected the Village President. The Council appoints a Village Clerk and Village Treasurer. As required by GAAP, the financial statements of the reporting entity include those of the Village and its component units. The component units discussed below are included in the Village's reporting entity because they are entities for which the Village is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the Village.

#### **Discretely Presented Component Unit**

*Downtown Development Authority (DDA)* – The Village appoints a voting majority and is able to impose its will on the DDA. It has incurred specific financial burdens in the form of general obligation bonds and is responsible for compliance with federal grants received in conjunction with the DDA's projects. In accordance with Statement of Michigan Governmental Accounting and Auditing No. 5, the DDA has been discretely presented. The DDA does not issue any other formal financial statements.

Village of Webberville  
Notes to Financial Statements

**DRAFT**

March 31, 2014

**1. Summary of Significant Accounting Policies (continued)**

**Reporting Entity (continued)**

Blended Component Unit

*Webberville Building Authority (WBA)* – The Village Council serve as Trustees. The WBA is charged with the responsibility of building and financing repairs and major improvements to the Village Hall and Library building.

**Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental and internal service funds, while business-type activities incorporate data from the Village's enterprise funds. Separate financial statements are provided for governmental funds, and proprietary funds.

As discussed earlier, the Village has one discretely presented component unit. Although all may not be considered to be major component units, they are nevertheless shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and other charges between the Village's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the Village's funds. Separate statements for each fund category – governmental, and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Village of Webberville  
Notes to Financial Statements

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March 31, 2014

**1. Summary of Significant Accounting Policies (continued)**

**Basis of Presentation – Fund Financial Statements (continued)**

The Village reports the following major governmental funds:

*General Fund* – General Fund is the principal operating fund of the Village. It is used to account for all revenues, expenditures, and activities not specifically accounted for in another fund.

*Major Street Fund* – Major Street Fund is used to receive all Major Street monies paid to the Village by the state, to account for monies received from special tax levies for street improvement purposes, to account for monies received from General Fund contributions, and to account for construction, maintenance, and other authorized operations to all streets classified as Major Street.

*Local Street Fund* – Local Street Fund is used to receive all Local Street monies paid to the Village by the state, to account for monies received from special tax levies for street improvement purposes, to account for monies received from General Fund contributions, and to account for construction, maintenance, and other authorized operations to all streets classified as Local Street.

*Municipal Street Fund* – Municipal Street Fund is used to account for taxes segregated for street oriented operations.

The Village reports the following major proprietary funds:

*Sewer and Water Funds* – Sewer and Water funds account for the activities including, but not limited to, administration, (utility director), operations, maintenance, financing and related debt service, and billing and collection.

Additionally, the Village reports the following fund types:

*Internal Service Fund* – Internal Service Fund accounts for vehicle and equipment use and management services provided to other departments of the Village on a cost reimbursement basis.

*Agency Funds* – Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.



Village of Webberville

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Notes to Financial Statements

March 31, 2014

**1. Summary of Significant Accounting Policies (continued)**

**Basis of Presentation – Fund Financial Statements (continued)**

Village operations include activity between funds for various purposes. Residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**Use of Estimates**

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect the amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Village of Webberville

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Notes to Financial Statements

March 31, 2014

**1. Summary of Significant Accounting Policies (continued)**

**Measurement Focus and Basis of Accounting (continued)**

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are 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, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as capital outlay expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, special assessments, licenses, and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the Village.

**Budgetary Information**

Budgetary Basis of Accounting

Annual budgets are adopted for the General Fund, all special revenue funds, capital project funds, enterprise and internal service funds and the discretely presented component unit. The DDA budget is based upon a fiscal year which matches the Village's fiscal year. The Village Administrator submits to the Council, a proposed operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and the means of financing them. Budgets are prepared on a basis consistent with the accounting basis utilized by the fund. Public hearings are conducted to obtain taxpayer comments. Prior to April 1, the budget is legally enacted through a resolution passed by the Council. The budget and approved appropriations lapse at the end of the fiscal year. The Village does not maintain a formal encumbrance accounting system. The budgets are adopted on a functional basis. Expenditures may not legally exceed the budgeted amounts by function for these funds. The Village Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Council.

Comparisons to budget are presented as required by GAAP for all governmental funds for which budgets were legally adopted. Budgets are adopted on a basis consistent with GAAP.

Village of Webberville

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Notes to Financial Statements

March 31, 2014

**1. Summary of Significant Accounting Policies (continued)**

**Assets, Liabilities, and Net Position/Fund Balance**

Deposits and Investments

The Village has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables

In general, outstanding balances between funds are reported as “due to/from other fund” activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds”. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, lighting systems, and similar assets that are immovable and of value only to the Village), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Software programs above the capitalization policy will be amortized over an estimated useful life of three years. Costs associated with software maintenance and customer support are considered expenditure and will not be capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the Village began recording on or after July 1, 2003 as followed by GASB 34.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Village of Webberville

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Notes to Financial Statements

March 31, 2014

**1. Summary of Significant Accounting Policies (continued)**

**Assets, Liabilities, and Net Position/Fund Balance (continued)**

Major outlays for capital assets and improvements are capitalized as projects when constructed. Capital assets of the Village are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40-60 years
Building improvements	15-30 years
Office equipment	3-5 years
Vehicles	3-5 years
Water and sewer lines	50-75 years
Roads and other infrastructure	10-30 years

Pensions

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

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of fund net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred (year of bond issuance).

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

Village of Webberville  
Notes to Financial Statements

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March 31, 2014

**1. Summary of Significant Accounting Policies (continued)**

**Assets, Liabilities, and Net Position/Fund Balance (continued)**

Net Position Flow Assumption

Sometimes the Village will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds or donations) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance Flow Assumption

Sometimes the Village will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. The Village's policy is that when multiple classifications are available and appropriate for a specific purpose, fund balance will be used first from the most restrictive category in order to the least restrictive.

Fund Balance Policies

In the government-wide financial statements, net position is divided into three possible categories:

Invested in Capital Assets, Net of Related Debt – This category consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted Net Assets – Net assets are considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws.

Unrestricted – All other net assets are reported in this category.

Village of Webberville  
Notes to Financial Statements

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March 31, 2014

**1. Summary of Significant Accounting Policies (continued)**

**Assets, Liabilities, and Net Position/Fund Balance (continued)**

In the fund financial statements, fund balance is presented in five possible categories:

Nonspendable – Amounts which cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts constrained to specific purposes by their providers (such as creditors, grantors, and higher levels of government), through constitutional provisions, or by enabling legislations.

Committed – Amounts that can be used only for the specific purposes determined by a formal action of the Village's highest level of decision-making authority. The Council is the highest level of decision-making authority for the Village that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Assigned – Amounts neither restricted nor committed for which the Village has a stated intended use as established by the Council or an official to which the Council has delegated the authority to assign amounts for specific purposes. The Council's fund balance policy is to designate the Village Administrator as the official that has the authority to assign fund balance to specific purposes.

Unassigned – Amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

**Revenues and Expenditures/Expenses**

Property Taxes

Property taxes attach an enforceable lien on property by the county. Taxes are levied on July 1, and payable on September 14. The Village bills and collects its own property taxes. Property tax revenues are recognized when levied to the extent that they result in current receivables. The Village is permitted by the Municipal Finance Law of the State to levy taxes up to 15 mills total. The Village Council has allocated 10.6081 mills for governmental services and 1.5919 mills for the Municipal Street Fund.



Village of Webberville  
Notes to Financial Statements

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March 31, 2014

**1. Summary of Significant Accounting Policies (continued)**

**Revenues and Expenditures/Expenses (continued)**

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's enterprise and internal service funds are charges to customers for sales and services. The Sewer and Water funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the systems. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**2. Detailed Notes on All Activities and Funds**

**Deposits and Investments**

At year end, the Village's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
Cash and cash equivalents	\$ 774,979	\$ 413,647	\$ 1,188,626	\$ 7,621
Restricted cash	-	99,912	99,912	-
	<u>\$ 774,979</u>	<u>\$ 513,559</u>	<u>\$ 1,288,538</u>	<u>\$ 7,621</u>

Village of Webberville  
Notes to Financial Statements

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March 31, 2014

**2. Detailed Notes on All Activities and Funds (continued)**

**Deposits and Investments (continued)**

Statutory Authority

The Village is authorized by the State of Michigan to invest surplus funds in the following:

- Bonds, securities, repurchase agreements and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.

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

- Mutual funds registered under the Investment Company Act of 1940 with authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Investment and Deposit Risk

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The Village's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds, and qualified external investment pools as identified above. The Village's investment policy does not have specific limits in excess of state law on investment credit risk.



Village of Webberville  
Notes to Financial Statements

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March 31, 2014

**2. Detailed Notes on All Activities and Funds (continued)**

**Deposits and Investments (continued)**

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Village’s deposits may not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. As of year-end \$1,001,578 of the Village’s bank balance of \$1,251,578 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Village does not have a policy for investment custodial credit risk. Therefore, there is no custodial credit risk to be disclosed.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Village’s investment policy does not have specific limits in excess of state law on concentration of credit risk.

**Receivables**

Amounts are aggregated into a single accounts receivable line in the statement of net position. Below is the detail of receivables in the primary government and component units:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Component Units</b>
Accounts:			
Billings	\$ 6,032	\$ 66,760	\$ –
Taxes	838	–	–
Other	–	–	250,010
Due within one year	\$ 6,870	\$ 66,760	\$ 250,010

Village of Webberville

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Notes to Financial Statements

March 31, 2014

**2. Detailed Notes on All Activities and Funds (continued)**

**Capital Assets**

Capital assets activity for primary government for the year ended March 31, 2014, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Governmental activities</b>				
Capital assets				
not being depreciated:				
Land	\$ 70,208	\$ —	\$ —	\$ 70,208
Capital assets being depreciated:				
Motor pool equipment	197,696	8,772	—	206,468
Buildings	717,620	8,576	—	726,196
Office equipment	54,320	—	—	54,320
DPW equipment	173,732	—	—	173,732
Infrastructure	324,399	34,990	—	359,389
Sidewalk project	29,085	—	—	29,085
Total capital assets being depreciated	1,496,852	52,338	—	1,549,190
Accumulated depreciation:				
Motor pool equipment	(146,421)	(16,107)	—	(162,528)
Buildings	(387,140)	(20,361)	—	(407,501)
Office equipment	(54,298)	(22)	—	(54,320)
DPW equipment	(173,732)	—	—	(173,732)
Infrastructure	(120,324)	(16,220)	—	(136,544)
Sidewalk project	(8,576)	(969)	—	(9,545)
Total accumulated depreciation	(890,491)	(53,679)	—	(944,170)
Total capital assets being depreciated, net	606,361	(1,341)	—	605,020
Governmental activities capital assets, net	\$ 676,569	\$ (1,341)	\$ —	\$ 675,228

Village of Webberville  
Notes to Financial Statements

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March 31, 2014

**2. Detailed Notes on All Activities and Funds (continued)**

**Capital Assets (continued)**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Business-type activities</b>				
Capital assets				
not being depreciated:				
Land	\$ 71,629	\$ —	\$ —	\$ 71,629
Capital assets being depreciated:				
Buildings and system	6,272,129	—	—	6,272,129
Machinery and equipment	59,156	33,598	—	92,754
Total capital assets				
being depreciated	6,331,285	33,598	—	6,364,883
Accumulated depreciation:				
Buildings and system	(2,515,739)	(112,094)	—	(2,627,833)
Machinery and equipment	(41,477)	(2,296)	—	(43,773)
Total accumulated depreciation	(2,557,216)	(114,390)	—	(2,671,606)
Total capital assets				
being depreciated, net	3,774,069	(80,792)	—	3,693,277
Business-type activities				
capital assets, net	\$ 3,845,698	\$ (80,792)	\$ —	\$ 3,764,906

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

<b>Governmental activities</b>	
General government	\$ 21,352
Internal service	16,107
Infrastructure	16,220
Total depreciation expense – governmental activities	<u>\$ 53,679</u>
<b>Business activities</b>	
Water	\$ 57,243
Sewer	57,147
Total depreciation expense – business activities	<u>\$ 114,390</u>

Village of Webberville

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Notes to Financial Statements

March 31, 2014

**2. Detailed Notes on All Activities and Funds (continued)**

**Discretely Presented Component Unit**

Activity for the Downtown Development Authority for the year ended March 31, 2014, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 757,926	\$ -	\$ -	\$ 757,926
Capital assets being depreciated:				
Streetscape	57,164	-	-	57,164
Total capital assets being depreciated	57,164	-	-	57,164
Accumulated depreciation:				
Streetscape	(8,507)	(2,858)	-	(11,365)
Total accumulated depreciation	(8,507)	(2,858)	-	(11,365)
Total capital assets being depreciated, net	48,657	(2,858)	-	45,799
Downtown Development Authority capital assets, net	\$ 806,583	\$ (2,858)	\$ -	\$ 803,725

**Interfund Receivables, Payables, and Transfers**

Interfund receivable and payable balances as of March 31, 2014 consisted of the following:

<u>Due To</u>	<u>Due From</u>			<u>Total</u>
	<u>General Fund</u>	<u>DDA</u>	<u>Trust and Agency</u>	
General fund	\$ -	\$ 1,153	\$ 5,179	\$ 6,332
Water fund	664		-	664
	<u>\$ 664</u>	<u>\$ 1,153</u>	<u>\$ 5,179</u>	<u>\$ 6,996</u>

Village of Webberville  
Notes to Financial Statements

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March 31, 2014

**2. Detailed Notes on All Activities and Funds (continued)**

**Interfund Receivables, Payables, and Transfers (continued)**

Interfund transfers for the year ended March 31, 2014, consisted of the following:

<u>Transfer From</u>		<u>Transfer To</u>	
General	\$ 130,198	General	\$ 16,900
Local Street	200	Local Street	-
Municipal Street	17,855	Municipal Street	-
DDA	98,647	DDA	148,053
Water	750	Water	54,141
Sewer	750	Sewer	29,506
Major	200	Major	-
Total	<u>\$ 248,600</u>	Total	<u>\$ 248,600</u>

**Long-Term Debt**

Downtown Development Authority

During the fiscal year ended March 31, 2004, the Village of Webberville Downtown Development Authority issued the Downtown Development Bonds, Series 2003 in the amount of \$1,075,000. The bonds were issued for the purpose of paying the balance of the Hawley and Mason properties and other capital improvements projects.

The bond is a draw bond with principal to be drawn not later than December 30, 2005. The aggregate amount of draws shall not exceed \$1,075,000. Interest is payable each November 1 and May 1, each year. The interest rate is determined by subsequent determination of the principal stated by bond holder. The rate for the taxable interest is based on the Wall Street Journal Prime rate plus ½ percentage point and the interest rate for non-taxable interest is 4.09%.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$ 7,072</u>	<u>\$ 178</u>	<u>\$ 7,250</u>

Village of Webberville  
Notes to Financial Statements

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March 31, 2014

**2. Detailed Notes on All Activities and Funds (continued)**

**Long-Term Debt (continued)**

Water

The Village issued the 2011 Water Supply and Wastewater Treatment Revenue Refunding Bonds in the amount of \$870,000. These bonds bear interest at 4.135%, payable May 1 and November 1 of each year commencing November 1, 2011. Bonds are payable through November 1, 2018.

Outstanding balances as of March 31, 2014:

**Water and Wastewater Revenue and Refunding Bonds, Series 2011**

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
05-01-14	\$ 46,000	\$ 10,234	\$ 56,234
11-01-14	46,000	9,283	55,283
05-01-15	47,000	8,332	55,332
11-01-15	47,000	7,360	54,360
05-01-16	49,000	6,389	55,389
11-01-16	48,000	5,376	53,376
05-01-17	53,000	4,383	57,383
11-01-17	52,000	3,287	55,287
05-01-18	54,000	2,212	56,212
11-01-18	53,000	1,096	54,096
	<u>\$ 495,000</u>	<u>\$ 57,952</u>	<u>\$ 552,952</u>

Sewer

The Village issued \$228,000 of Capital Improvement Bonds for the purpose of paying all or part of the cost of acquiring and constructing certain improvements to the Sanitary Sewer System. The bonds will be payable from funds lawfully available for such purposes. The source of the payments is expected to be from sewer rates and charges.

The bonds bear interest at 2.45% with principal and interest payments due May 1, and November 1, starting November 1, 2012 and ending November 1, 2019.

Village of Webberville  
Notes to Financial Statements

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March 31, 2014

**2. Detailed Notes on All Activities and Funds (continued)**

**Long-Term Debt (continued)**

Outstanding balances as of March 31, 2014:

<b>Capital Improvement Bonds</b>			
<b>Payment Date</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
05-01-14	\$ 14,000	\$ 2,278	\$ 16,278
11-01-14	14,000	2,107	16,107
05-01-15	15,000	1,935	16,935
11-01-15	15,000	1,751	16,751
05-01-16	15,000	1,568	16,568
11-01-16	15,000	1,384	16,384
05-01-17	16,000	1,200	17,200
11-01-17	16,000	1,004	17,004
05-01-18	16,000	808	16,808
11-01-18	16,000	612	16,612
05-01-19	17,000	416	17,416
11-01-19	17,000	208	17,208
	<b>\$ 186,000</b>	<b>\$ 15,271</b>	<b>\$ 201,271</b>

**Employee Retirement Systems**

As of April 1, 1995, the Village is a member of the Municipal Employees Retirement System (MERS). Full-time employees contribute, on a pre-tax basis, 5.5% of their gross wage. The actuary has determined the Village's contributions to be \$4,949 for the year ended March 31, 2014 at a rate of 4.63%. Each year the quarterly contribution is recalculated based on the actual wage paid to employees during the prior fiscal year. During the year, \$31,370 was paid to MERS including voluntary contributions by the Village in the amount of \$22,000. The pension covered \$154,655 of the Village's payroll. At March 31, 2014, \$6,178 was still due to MERS for March 2014, including an additional voluntary contribution of \$4,000 by the Village.

**Prior Period Adjustments**

During the fiscal year ended March 31, 2014, the Village made a prior period adjustment so the financial statements are in conformity with GASB 65. In the Sewer Fund, the remaining bond cost of \$27,239 was adjusted to Fund Balance. In the Water Fund, the remaining bond cost of \$15,662 was adjusted to Fund Balance.

Village of Webberville  
Notes to Financial Statements

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March 31, 2014

**2. Detailed Notes on All Activities and Funds (continued)**

**Subsequent Events**

Subsequent events have been evaluated through September 26, 2016, the date which the financial statements were available to be issued.

**New Pronouncements**

The GASB has issued the following recent standards.

Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued in June 2012 to improve accounting and financial reporting by state and local governments for pensions. The Village is adopting this Standard for the year ending March 31, 2016. Although the requirements of the Standard are not expected to significantly affect the Village's current cash flow for recording pension expenditure payments, it will add a substantial liability to the statement of net position.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics: (1) Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable, (2) Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms, and (3) Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Additional footnote disclosures and required supplementary information requirements about pensions are also addressed.

The Village expects this standard to have a significant effect on its financial statements.



Village of Webberville  
Notes to Financial Statements

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March 31, 2014

**2. Detailed Notes on All Activities and Funds (continued)**

**New Pronouncements (continued)**

Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for fiscal years beginning after June 15, 2015. The Village does not believe this standard will significantly affect financial statements when adopted.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, identifies the hierarchy of GAAP which consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This standard will not have a direct effect on the Village's financial statements.

Statement No. 77, *Tax Abatement Disclosures*, will require disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. Governments that enter into tax abatement agreements will be required to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The requirements of this Statement are effective for fiscal periods beginning after December 15, 2015, which for the Village will be for the year ending March 31, 2017. The Village will evaluate whether this standard will have a material effect, if any on its financial statements.

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Required Supplementary Information

Village of Webberville

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General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual

Year Ended March 31, 2014

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes and penalties	\$ 489,000	\$ 489,000	\$ 551,843	\$ 62,843
Licenses and permits	-	17,600	12,970	(4,630)
State grants/shared revenues	125,600	125,600	110,031	(15,569)
Charges for services – refuse	65,000	65,000	52,469	(12,531)
Fines, forfeitures and other fees	-	-	7,290	7,290
Rental revenue	-	-	2,710	2,710
Interest and other miscellaneous	1,500	1,500	7,767	6,267
Total revenues	<u>681,100</u>	<u>698,700</u>	<u>745,080</u>	<u>46,380</u>
<b>Expenditures</b>				
General government	253,000	253,000	107,876	145,124
Public safety	238,000	238,000	237,244	756
Public works	95,000	102,600	188,059	(85,459)
Community and economic development	40,500	50,500	48,644	1,856
Recreation and culture	1,000	1,000	872	128
Total expenditures	<u>627,500</u>	<u>645,100</u>	<u>582,695</u>	<u>62,405</u>
Excess (deficiency) of revenues over expenditures	<u>53,600</u>	<u>53,600</u>	<u>162,385</u>	<u>108,785</u>
Other financing sources (uses):				
Transfers in	28,600	28,600	16,900	(11,700)
Transfers out	(107,000)	(107,000)	(130,198)	(23,198)
Total other financing sources (uses)	<u>(78,400)</u>	<u>(78,400)</u>	<u>(113,298)</u>	<u>(34,898)</u>
Net change in fund balance	(24,800)	(24,800)	49,087	-
Fund balance at beginning of period	108,699	108,699	108,699	-
Fund balance at end of period	<u>\$ 83,899</u>	<u>\$ 83,899</u>	<u>\$ 157,786</u>	<u>\$ 73,887</u>

Village of Webberville

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Major Street Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual

Year Ended March 31, 2014

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
State highway funds	\$ 66,000	\$ 66,000	\$ 68,716	\$ 2,716
Interest	750	750	802	52
Other revenue and reimbursement	4,000	4,000	8,561	4,561
Total revenues	<u>70,750</u>	<u>70,750</u>	<u>78,079</u>	<u>7,329</u>
<b>Expenditures</b>				
DPW – administrative wages and benefits	31,100	31,100	24,302	6,798
Equipment rentals	12,000	12,000	27,895	(15,895)
Supplies	800	800	-	800
Road maintenance	15,000	15,000	41,376	(26,376)
Striping	-	-	-	-
Tree trimming	-	-	-	-
Traffic lights	-	-	-	-
Signs/capital outlay	7,800	7,800	-	7,800
Professional fees	33,000	33,000	2,788	30,212
Total expenditures	<u>99,700</u>	<u>99,700</u>	<u>96,361</u>	<u>3,339</u>
Excess of revenues over (under) expenditures	<u>(28,950)</u>	<u>(28,950)</u>	<u>(18,282)</u>	<u>10,668</u>
Other operating sources (uses):				
Transfers in	-	-	-	-
Transfers out	(3,000)	(3,000)	(200)	(2,800)
Total operating sources (uses)	<u>(3,000)</u>	<u>(3,000)</u>	<u>(200)</u>	<u>(2,800)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(31,950)</u>	<u>(31,950)</u>	<u>(18,482)</u>	<u>13,468</u>
Fund balance at beginning of year	423,654	423,654	423,654	-
Fund balance at end of year	<u>\$ 391,704</u>	<u>\$ 391,704</u>	<u>\$ 405,172</u>	<u>\$</u>

DRAFT

Other Supplementary Information

Village of Webberville

**DRAFT**

Downtown Development Authority – Component Unit  
Balance Sheet

March 31, 2014

**Assets**

Cash – checking	\$	7,621
Due from other governmental units		250,010
Total assets	\$	<u>257,631</u>

**Liabilities and fund balance**

Liabilities:

Accounts payable	\$	2,309
Due to other funds		1,153
Accrued interest payable		106
Total liabilities		<u>3,568</u>

Fund balance:

Unassigned		254,063
Total fund balance		<u>254,063</u>

Total liabilities and fund balance	\$	<u>257,631</u>
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Village of Webberville

**DRAFT**

Downtown Development Authority – Component Unit  
Reconciliation of Balance Sheet to Statement of Net Position

March 31, 2014

**Fund balance – governmental funds** \$ 254,063

Amounts reported for the governmental activities in the Statement of Net Position are different because:

Capital assets (land) used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds

Cost of capital assets	815,090
Accumulated depreciation	(11,365)

Certain liabilities such as notes payable are not due and payable within the current period and, therefore, are not reported in these funds.

(7,072)

**Total net position – governmental activities**

\$ 1,050,716

Village of Webberville

**DRAFT**

Downtown Development Authority – Component Unit  
Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended March 31, 2014

**Revenues**

Interest	\$ 68
Other – TIFA revenues	294,802
Total revenues	<u>294,870</u>

**Expenditures**

Mowing/landscaping	1,666
Contracted services – EDC	20,191
Legal and publishing	3,179
Office expense	1,040
Banners/signs/other maintenance	912
Long-term debt	59,722
Interest expense	433
Drains	159,168
Engineering	1,500
Tax tribunal/TIFA reimbursements	7,312
Street lights/electric	14,761
Audit	800
Total expenditures	<u>270,684</u>

Excess of revenues over (under) expenditures 24,186

Other financing sources (uses):

Transfers from primary government	148,053
Transfers to primary government	(98,647)
Total other financing sources (uses)	<u>49,406</u>

Excess of revenues over (under) expenditures and transfers 73,592

Fund balance at beginning of year	<u>180,471</u>
Fund balance at end of year	<u><u>\$ 254,063</u></u>



Village of Webberville

**DRAFT**

Downtown Development Authority – Component Unit  
Reconciliation of Statement of Revenues, Expenditures, and  
Changes in Fund Balance to Statement of Activities

Year Ended March 31, 2014

**Net change in fund balance** \$ 73,592

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense (2,858)

Loans payable and subsequent payments are reported as expenditures in governmental funds, but the subsequent payments reduce loan balance. In the current year, these amounts consist of:

Loans payable – principal payments 59,722

**Change in net assets of governmental activities** \$ 130,456

Village Council  
Village of Webberville  
Webberville, Michigan

In planning and performing our audit of the financial statements of the Village of Webberville as of and for the year ended March 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Webberville's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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.

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 or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 statement will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in the Company's internal control to be material weaknesses:

### **Bank Reconciliations**

Bank statement reconciliations were accumulated for several months before they were reconciled to the appropriate account on the general ledger. We also understand that a contributing factor in this condition was the turnover in the Clerk/Treasurer position during the year ended March 31, 2014. Delays in the reconciliation process can result in errors or other issues not being recognized and resolved on a timely basis. Also, it is generally easier and less time-consuming to reconcile accounts when the transactions are fresh in mind. We recommend that all bank reconciliations be reconciled each month prior to the preparation of the monthly reports for the Council Meetings.

Village Council

Village of Webberville

*September 27, 2016*

Village Council  
Village of Webberville  
September 27, 2016

◆ Introduction

– AHP Representative

Duane Reyhl – Audit Partner

Sarah Talbot – Senior Manager

◆ Financial Highlights

◆ Name of Village Council Report

- Services Provided and in Process
- Results of our Audit of the Financial Statements
- Required Communications with the Village Council
- Management Letter

◆ Other Questions or Comments

September 27, 2016

Village Council  
Village of Webberville

We are pleased to submit this report, which summarizes the results of our audit, and other matters that we believe would be of interest to you.

### Services Provided and in Process

In accordance with our engagement letter, AHP provided the following services:

#### Audit Services:

- Annual Audit – Completed

#### Nonaudit Services:

- Updating assistance for capital asset depreciation schedule – Completed.
- Preparation of accrual basis adjusting journal entries and closing entries – Completed.
- Preparation of the annual financial statements in accordance with accounting principles generally accepted in the United States of America – Completed
- Preparation of Act 51 Reports for the State of Michigan – Completed
- Preparation of F-65 Report for the State of Michigan – Completed
- Preparation of 496 Report for the State of Michigan – Completed

We have reviewed the services provided and confirm that we are independent of the Village of Webberville.

### Results of the Audit

The audit was conducted in accordance with auditing standards generally accepted in the United States of America, and included such tests of the accounting records and such other auditing procedures as we considered necessary for the purpose of expressing an opinion on the financial statements.

The following summarizes various matters of interest noted during our audit:

Adopted Audit and Accounting Standards

None.

Future Audit and Accounting Standards

The GASB has issued the following recent Statements of Governmental Accounting Standards (Statements).

Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued in June 2012 to improve accounting and financial reporting by state and local governments for pensions. The Village is adopting this Standard for the year ending March 31, 2016. Although the requirements of the Standard are not expected to significantly affect the Village's current cash flow for recording pension expenditure payments, it will add a substantial liability to the statement of net position.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics: (1) Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable, (2) Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms, and (3) Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Additional footnote disclosures and required supplementary information requirements about pensions are also addressed.

This Statement is expected to have a significant effect on the Village's financial statements.

GASB Statement No. 72, *Fair Value Measurement and Application (Statement 72)*. This standard addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015. This standard is not expected to apply to the Village unless it invests funds in instruments other than cash and cash equivalents.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments (Statement 76)*, identifies the hierarchy of GAAP which consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 77, *Tax Abatement Disclosures (Statement 77)*, will require disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. Governments that enter into tax abatement agreements will be required to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The requirements of this Statement are effective for fiscal periods beginning after December 15, 2015, which for the Village will be the year ending March 31, 2017. The Village will evaluate whether this statement has a material effect, if any, on its financial statements.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*

This Statement improves financial reporting by clarifying the financial statement presentation blending requirements for certain component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This is not expected to affect the Village. The standard is effective for periods beginning after June 15, 2016. Earlier application is encouraged.

***Future GASB Statements.*** As new accounting standards are issued, we will advise you about the relevant provisions of these new accounting standards. Current proposed standards that might interest you include the ones summarized below.

Proposed Standard – Fiduciary Activities. This proposed standard is intended to reduce inconsistent reporting of fiduciary activities and would apply to all state and local governments. Current accounting standards require governments to report fiduciary activities in fiduciary fund financial statements. However, current guidance is not consistently applied as to what constitutes a fiduciary activity. The proposed guidance focuses on the concept that control is applicable to assets for which a government has a fiduciary relationship. The GASB believes that holding, being responsible for administering, and directing the use, exchange, or employment of those assets within the context of fiduciary activities are characteristics of control.

Proposed Standard – Leases. This proposed Statement would apply to all state and local governments and establishing a single model for all lease accounting. The concept within this model is that a lease is a financing arrangement that permits the use on an underlying asset for a period of time. As such a lessee would record a lease liability and an intangible right-to-use asset. A lessor would record a lease receivable and a deferred inflow of resources. An exception is granted for short-term leases, which are defined as “a lease that, at the beginning of the lease, has a maximum possible term under the contract of 12 months or less, including any options to extend, regardless of its probability of being exercised.” If adopted, the requirements of this proposed Statement would be effective for reporting periods beginning after December 15, 2018. Earlier application would be permitted.

## The Auditor’s Communications with Those Charged with Governance

This section discusses our responsibilities under the Statement on Auditing Standards (SAS) No. 122 Section 260, *Communication with Those Charged with Governance*. The following excerpts from SAS No. 122 describe the specific matters required to be communicated to you and our responses thereto:

### Our Responsibility under U.S. Generally Accepted Auditing Standards

The auditors’ standard report emphasizes that an audit conducted in accordance with auditing standards generally accepted in the United States of America, is designed to provide reasonable, but not absolute, assurance that the financial statements are free of material misstatement and in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Our report dated September 13, 2016 follows this format. Because of the concept of reasonable assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

Our responsibility, as described by our 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. GAAP. Our audit does not relieve you or management of your responsibilities.

As part of the audit, we considered the internal control of the Village of Webberville. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the predecessor firm (Demis and Wenzlick, P.C.) engagement letter dated April 8, 2014. As discussed later in this report, significant delays occurred in completing the audit due to delays in the Village’s recording and updating of transactions and general ledger activity for the year ended March 31, 2014. This condition caused significant changes to our timing and scope of our procedures.



### Qualitative Aspects of Accounting Practices

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 Webberville 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 Village 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 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 are 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. The most sensitive estimates affecting the financial statements were:

- Estimated useful lives of capital assets as disclosed in Note 1.
- Estimated depreciation expense as disclosed in Note 2.

For each estimate listed above, we evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Deposits and investments
- Capital assets
- Long-term debt

### Difficulties Encountered in Performing the Audit

We encountered significant difficulties in obtaining records and in performing and completing our audit. The Clerk/Treasurer's primary accounting records are maintained on the Village's computerized BS&A general ledger system. However, some transactions for other funds are maintained using a combination of manual records and spreadsheet. While computerized and manual systems can be equally effective, it can create a situation where there is a delay in entering the details from the manual system into the computerized system, which is the primary source of information that is used to produce the Village's financial statements. This condition resulted in delays in performing and completing our audit.

In addition, transactions had not been posted to the general ledger on a timely basis and there were significant delays in performing and completing bank reconciliations. We also encountered difficulties in receiving timely responses to requests for information which prevented us from being able to complete certain areas of the audit.

These conditions resulted in significant delays in our ability to perform and complete our audit procedures. These conditions seem to have continued into the subsequent period as well. Our most recent understanding is that bank reconciliations for the year ended March 31, 2015 are still in the process of being completed.

#### 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. We proposed a number of during our audit. There were no uncorrected 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 auditors' report. We are pleased to report that no such disagreements arose during the course of the audit.

#### Management Representations

We have requested certain representations from management that are included in the management's representation letter dated September 26, 2016. A copy is attached for your reference.

#### Management's 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 financial statements or a determination of the type of 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 relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Communication of Fees for Nonaudit Services

As previously described in this letter, we performed certain nonaudit services at the request of management and documented in an engagement letter. Fees for these services did not exceed those noted in our engagement letters.

#### Management Letter

We considered the Village's internal control during the course of the audit, and we remained alert for areas where procedures and controls could be improved. We noted matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. Also, we noted other matters involving the internal control or areas where operations may be improved that we have reported to management in a separate letter dated September 26, 2016.

This report is intended solely for the information and use of the Village of Webberville and management of the Village and is not intended to be, and should not be, used by anyone other than these specified parties.

We will be pleased to respond to any comments or questions you may have concerning this letter, our management letter, or any other aspects of our services to the Village of Webberville.

It has been a pleasure to serve the Village of Webberville during the year. We would like to express our appreciation for the cooperation and courtesy extended to us by management and employees of the Village and look forward to continuing our association in the future.

Sincerely,

*Andrews Hooper & Pavlik P.L.C.*

# W Office Of The Village Of EBBERVILLE

September 26, 2016

Andrews Hooper Pavlik PLC  
217 N Washington Street, Suite 201  
Owosso, MI 48867

This representation letter is provided in connection with your audit of the financial statements of the Village of Webberville (Village), which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of March 31, 2014, and the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of September 26, 2016, the following representations made to you during your audit.

### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 8, 2014.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates are reasonable.

P.O. Box 389 □ Webberville, MI 48892 □ (517) 521-3984

- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Village's accounts.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the Village is contingently liable, if any, have been properly recorded or disclosed.

### **Information Provided**

- 11) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of Village Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have disclosed to you all known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

- 17) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 18) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

**Government-specific**

- 19) We have made available to you all financial records and related data.
- 20) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 21) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 22) The Village has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 24) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 25) As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 26) The Village has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 27) The Village has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 28) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 29) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 30) The financial statements properly classify all funds and activities.

- 31) All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 32) Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
- 33) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 34) Provisions for uncollectible receivables have been properly identified and recorded.
- 35) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 36) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 37) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 38) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 39) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 40) We have appropriately disclosed the Village's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.
- 41) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Signed: \_\_\_\_\_

Title: Village President

Signed: \_\_\_\_\_

Title: Village Clerk/Treasurer