



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RACHAEL EUBANKS  
STATE TREASURER

July 30, 2019

Village Council  
Village of Webberville  
115 South Main Street  
Webberville, Michigan 48892

Independent Auditor's Report

Dear Council Members:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information for non-major funds, and the discretely presented component unit of the Village of Webberville, Ingham County, Michigan, as of and for the fiscal year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Village of Webberville'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.

*Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.



*Basis for Disclaimer of Opinion*

We were unable to obtain significant source documents to support financial statement balances.

*Disclaimer of Opinion*

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, they were unable to obtain sufficient appropriate evidence to provide the basis for an audit opinion, and, accordingly, does not express an opinion on the financial statements.

*Emphasis of Matter*

As discussed in Note M to the basic financial statements, in 2016, the Village adopted the new accounting guidance of GASB No. 68, *Accounting and Financial Reporting for Pensions*, which establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of governmental employers through pension plans. Our opinion is not modified with respect to this matter.

*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 1 through 7, budgetary comparison information on Exhibits J through M, and pension trend data be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


*Supplementary and Other Information*

We were engaged for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying supplementary and related information presented in Exhibits N and O is presented for the purposes of additional analysis and is not a required part of the financial statements. Because of the significance of the matters described above, it is inappropriate to and we do not express an opinion on the supplementary and other related information referred to above.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2019, on our consideration of the Village of Webberville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Webberville's internal control over financial reporting and compliance.

Sincerely,



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Community Engagement and Finance Division

VILLAGE OF WEBBERVILLE

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## VILLAGE OF WEBBERVILLE--INGHAM COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended March 31, 2016

Our discussion and analysis of the Village of Webberville's (Village) financial performance provides an overview of the Village's financial activities for the year ended March 31, 2016.

#### USING THIS ANNUAL REPORT

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. This report also contains supplementary information in addition to the basic financial statements. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities on Exhibit A and B provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements start with Exhibit C. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide statements by providing information about the Village's most significant funds. The remaining statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside of the government.

#### REPORTING THE VILLAGE AS A WHOLE

##### *The Statement of Net Position and the Statement of Activities*

The Statement of Net Position and the Statement of Activities report information about the Village as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Village's net position and changes in them. You can think of the Village's net position (the difference between assets and liabilities) as one way to measure the Village's financial health, or financial position. Over time, increases or decreases in the Village's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Village's property tax base and the condition of the Village's infrastructure, to assess the overall health of the Village.

In the Statement of Net Position and the Statement of Activities we divide the Village into two kinds of activities:

- Governmental activities--Most of the Village's basic services are reported here, including the police, public works, and general administration. Property taxes, franchise fees, and state grants finance most of these activities.
- Business-type activities--The Village charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Village's sewer, water and garbage systems are reported here.

## VILLAGE OF WEBBERVILLE--INGHAM COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended March 31, 2016

#### REPORTING THE VILLAGE'S MAJOR FUND

##### *Fund Financial Statements*

Our analysis of the Village's major funds begins with Exhibit C and D with additional information provided in Note A of the Notes to the Financial Statements. The special revenue funds are required to be established by state law such as the Major Street fund and the Local Street fund. The Village's two kinds of funds, governmental and proprietary, use different accounting approaches.

- *Governmental funds*—Most of the Village's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements of Exhibit C and Exhibit D.
- *Proprietary funds*—When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Village's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

##### *Additional Required Supplementary Information (RSI)*

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes budgetary comparison schedules and pension trend data.

#### THE VILLAGE AS A WHOLE

The Village's combined net position increased from \$5,179,825 to \$5,550,397 or \$370,572 for the year ended March 31, 2016. This is similar to the previous year when the net position increased \$436,932. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the Village's governmental and business-type activities.



VILLAGE OF WEBBERVILLE--INGHAM COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended March 31, 2016

Table 1  
Net Position of Governmental and Business-Type Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2016*	2015	2016	2015	2016
Current and Other Assets	\$ 954,068	\$ 1,191,369	\$ 727,741	\$ 981,696	\$ 1,681,809	\$ 2,173,065
Non-current Assets	917,526	999,798	3,646,199	3,530,565	4,563,725	4,530,363
Total Assets	1,871,594	2,191,167	4,373,940	4,512,261	6,245,534	6,703,428
Deferred Outflow of Resources	-	57,067	-	-	-	57,067
Current Liabilities	132,343	164,753	25,752	106,257	158,095	271,010
Non-current Liabilities	346,614	502,088	561,000	437,000	907,614	939,088
Total Liabilities	478,957	666,841	586,752	543,257	1,065,709	1,210,098
Net Position						
Net Investment in Capital Assets	917,526	893,596	3,085,199	3,093,565	4,002,725	3,987,161
Restricted	500,353	664,908	90,801	-	591,154	664,908
Unrestricted	(25,242)	22,889	611,188	875,439	585,946	898,328
Total Net Position	\$ 1,392,637	\$ 1,581,393	\$ 3,787,188	\$ 3,969,004	\$ 5,179,825	\$ 5,550,397

\*GASB Statement No. 68 was implemented by the Village in the fiscal year 2016. Fiscal year 2017 amounts shown have not been modified to reflect the retroactive application of the change.

The net position of the Village's governmental activities increased by 13.6%, or \$188,756 (\$1,581,393 compared to \$1,392,637). The net investment in capital assets for the governmental activities decreased by \$23,930 as depreciation accumulated. The increase of \$48,131 in the unrestricted net position was due to keeping expenses at a minimum.

The net position of the Village's business-type activities increased by 4.8%, or \$181,816 (\$3,969,004 compared to \$3,787,188). The net investment in capital assets for the business-type activities increased \$8,366. The increase of \$264,251 in the unrestricted net position was due to keeping expenses to a minimum.

VILLAGE OF WEBBERVILLE--INGHAM COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended March 31, 2016

Table 2  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2016	2015	2016	2015	2016
	Program Revenue					
Charges for Services	\$ 53,200	\$ 91,654	\$ 526,559	\$ 624,784	\$ 579,759	\$ 716,438
Operating Grants and Contributions	-	3,665	-	-	-	3,665
General Revenue						
Property Taxes	688,071	685,815	-	-	688,071	685,815
State-Shared Revenues	208,983	213,794	-	-	208,983	213,794
Licenses and Permits	19,566	-	-	-	19,566	-
Other	97,899	20,662	20,108	1,282	118,007	21,944
Transfers - Net	15,000	(84,361)	85,283	84,361	100,283	-
<b>Total Revenues</b>	<b>1,082,719</b>	<b>931,229</b>	<b>631,950</b>	<b>710,427</b>	<b>1,714,669</b>	<b>1,641,656</b>
Program Expenses						
General Government	189,794	37,760	-	-	189,794	37,760
Public Safety	245,628	305,105	-	-	245,628	305,105
Public Works	311,998	344,703	-	-	311,998	344,703
Community and Economic Development	25,115	57,003	-	-	25,115	57,003
Recreation and Cultural	3,323	153	-	-	3,323	153
Interest	-	17,268	-	-	-	17,268
Sewer	-	-	221,640	244,631	221,640	244,631
Water	-	-	280,239	283,981	280,239	283,981
<b>Total Expenses</b>	<b>775,858</b>	<b>761,992</b>	<b>501,879</b>	<b>528,612</b>	<b>1,277,737</b>	<b>1,290,604</b>
<b>Change in Net Position</b>	<b>\$ 306,861</b>	<b>\$ 169,237</b>	<b>\$ 130,071</b>	<b>\$ 181,815</b>	<b>\$ 436,932</b>	<b>\$ 351,052</b>

*Governmental Activities*

The total revenues for the Village's governmental activities decreased by 14% (\$151,490), while expenses decreased 1.8% (\$13,866). The increase in the operating revenues is due to charges for services. The state shared revenues increased by the state appropriations. The decrease in expenses is primarily due to keeping expenses at a minimum.

*Business-Type Activities*

The revenues for the Village's business-type activities increased by 12.4% (\$78,477), and expenses increased 5.3% (\$26,733). The increase in the operating revenues was based on Charges for Services.

## VILLAGE OF WEBBERVILLE--INGHAM COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended March 31, 2016

#### THE VILLAGE'S FUNDS

As the Village completed the year, its governmental funds (as presented in the balance sheet on Exhibit C) reported a fund balance of \$740,375, which is more than last year's \$697,611. The primary reasons for the governmental funds' increase mirror the governmental activities analysis highlighted in the prior paragraphs. The Village's major funds in fiscal year end March 31, 2016 were the General fund, Major Street fund, Local Street fund, Municipal Street fund, Sewer fund, and Water fund.

The General fund pays for most of the Village's governmental services. The most significant are for general government, public safety, and public works activities. These services are supported by the operating millage and State-shared revenues. The Major Street fund, Local Street fund, and Municipal Street fund perform public works and account for the Michigan Transportation Funds received from the State and the maintenance performed on the Village's street system. The Sewer and Water funds are described above.

The Village also 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.

#### GENERAL FUND BUDGETARY HIGHLIGHT

Over the course of the year, the Village's budget was monitored to evaluate the financial position of the Village. Adjustments were approved throughout the year to try and take into account the activities of the Village for the year. The Village continues to be conservative in its budgeting. No significant amendments were made for the Village during the fiscal year.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

##### *Capital Assets*

As of March 31, 2016, the Village had \$4,529,849 invested in a broad range of capital assets, including land, buildings, land improvements, vehicles, equipment, street and sidewalk infrastructure, and water and sewer infrastructure. This amount represents a net decrease (including additions and deductions) of \$33,876.

VILLAGE OF WEBBERVILLE--INGHAM COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended March 31, 2016

Table 3  
Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2016	2015	2016	2015	2016
	Land	\$ 80,564	\$ 80,564	\$ 71,629	\$ 71,117	\$ 152,193
Motor Pool Equipment	221,230	389,379	-	-	221,230	389,379
Buildings	882,499	882,499	-	-	882,499	882,499
Office Equipment	56,390	61,810	-	-	56,390	61,810
DPW Equipment	173,732	173,732	-	-	173,732	173,732
Infrastructure	490,911	490,911	-	-	490,911	490,911
Sewer System	-	-	3,284,024	3,284,024	3,284,024	3,284,024
Water System	-	-	3,080,859	3,081,372	3,080,859	3,081,372
<b>Total Capital Assets</b>	<b>1,905,326</b>	<b>2,078,895</b>	<b>6,436,512</b>	<b>6,436,513</b>	<b>8,341,838</b>	<b>8,515,408</b>
<b>Total Accumulated Depreciation</b>	<b>(987,800)</b>	<b>(1,079,097)</b>	<b>(2,790,313)</b>	<b>(2,905,948)</b>	<b>(3,778,113)</b>	<b>(3,985,045)</b>
<b>Total Net Capital Assets</b>	<b>\$ 917,526</b>	<b>\$ 999,798</b>	<b>\$ 3,646,199</b>	<b>\$ 3,530,565</b>	<b>\$ 4,563,725</b>	<b>\$ 4,530,363</b>

This fiscal year's capital asset additions in the governmental activities were for motor pool equipment and office equipment. There were no additions in the business-type activities.

The Village's fiscal-year 2016-2017 capital budget called for little change. More detailed information about the Village's capital assets is presented in Note G to the financial statements.

Debt

As of March 31, 2016, the Village had \$437,000 in bonds versus \$561,000 from the previous year, a decrease of \$124,000, as shown in Table 4. Also, the Village had \$346,614 in drain debt versus \$383,349 from the previous year, a decrease of \$36,735. During the year, the Village incurred debt to purchase a Vactor Combination Sewer Cleaner truck, in the amount of \$134,000.

Table 4  
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2016	2015	2016	2015	2016
	Installment Purchases	\$ -	\$ 106,202	\$ -	\$ -	\$ -
Drain Debt	383,349	346,614	-	-	383,349	346,614
Bonds Payable	-	-	561,000	437,000	561,000	437,000
<b>Total Outstanding Debt</b>	<b>\$ 383,349</b>	<b>\$ 452,816</b>	<b>\$ 561,000</b>	<b>\$ 437,000</b>	<b>\$ 944,349</b>	<b>\$ 889,816</b>

## VILLAGE OF WEBBERVILLE--INGHAM COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended March 31, 2016

More detailed information about the Village's long-term debt obligations is presented in Note H to the financial statements.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The upcoming fiscal year 2016-2017: The Village of Webberville is expecting to do some repairs with the water system and the sewer lagoon. The Village of Webberville may look at a new cold/hot patch container & trailer and repairs to existing equipment. The Village of Webberville is expecting to do some upgrades to the building at 115 S. Main Street; that houses the Village Office. The Village of Webberville is expecting to add another P.C. and software upgrade in the Village Office. The Village does not expect any significant changes in revenues. The Webberville Downtown Development Authority will begin the process of trying to sell land that they own.

#### CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village's office at: 115 South Main Street, Webberville, Michigan 48892 (Phone Number 517-521-3984).

VILLAGE OF WEBBERVILLE--INGHAM COUNTY  
 GOVERNMENT-WIDE STATEMENT OF NET POSITION  
 March 31, 2016

EXHIBIT A

	PRIMARY GOVERNMENT			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<u>ASSETS</u>				
Current Assets				
Cash and Cash Equivalents	\$ 954,615	\$ 880,308	\$ 1,834,923	\$ 67,374
Receivables	11,953	102,052	114,005	299,097
Due From State	223,648	-	223,648	-
Due from Other Funds--Component Unit	1,153	-	1,153	-
Total Current Assets	1,191,369	982,360	2,173,729	366,471
Non-Current Assets				
Capital Assets--Net of Accumulated Depreciation	919,234	3,459,448	4,378,682	40,083
Capital Assets--Non-Depreciating	80,564	71,117	151,681	757,926
Total Non-Current Assets	999,798	3,530,565	4,530,363	798,009
Total Assets	2,191,167	4,512,925	6,704,092	1,164,480
<u>Deferred Outflows</u>				
Change in Experience-Pension	4,293	-	4,293	-
Change in Assumptions-Pension	14,360	-	14,360	-
Change in Investments-Pension	31,453	-	31,453	-
Employer Contributions-Pension	6,961	-	6,961	-
Total Deferred Outflows	57,067	-	57,067	-
<u>LIABILITIES</u>				
Current Liabilities				
Accounts Payable	133,785	25,423	159,208	3,258
Internal Balances	(11,623)	11,623	-	-
Due to Primary Government	-	-	-	1,153
Due to State	2,863	4,840	7,703	-
Due to Federal Government	24,440	39,553	63,993	-
Accrued Liabilities	15,288	25,482	40,770	-
Total Current Liabilities	164,753	106,921	271,674	4,411
Long-Term Liabilities				
Bonds Payable--Due Within One Year	-	127,000	127,000	-
Bonds Payable--Due in More Than One Year	-	310,000	310,000	-
Drains General Assessment--Due Within One Year	36,734	-	36,734	101,500
Drains General Assessment--Duc in More Than One Year	309,880	-	309,880	710,500
Installment Purchase Payable--Due Within One Year	25,537	-	25,537	-
Installment Purchase Payable--Due in More Than One Year	80,665	-	80,665	-
Net Pension Liability	49,272	-	49,272	-
Total Long-Term Liabilities	502,088	437,000	939,088	812,000
Total Liabilities	666,841	543,921	1,210,762	816,411
<u>NET POSITION</u>				
Net Investment in Capital Assets	893,596	3,093,565	3,987,161	798,009
Restricted for				
Major Street	321,832	-	321,832	-
Local Street	132,528	-	132,528	-
Municipal Street	207,254	-	207,254	-
Building Authority	3,294	-	3,294	-
Unrestricted	22,889	875,439	898,328	(449,940)
Total Net Position	\$ 1,581,393	\$ 3,969,004	\$ 5,550,397	\$ 348,069

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

VILLAGE OF WEBBERVILLE--INGHAM COUNTY  
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
 For the Fiscal Year Ended March 31, 2016

EXHIBIT B

Functions/Programs Primary Government	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION					
	PROGRAM REVENUES			PRIMARY GOVERNMENT		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General Government	\$ 37,760	\$ 39,830	\$ -	\$ 2,070	\$ -	\$ 2,070
Public Safety	305,105	-	-	(305,105)	-	(305,105)
Public Works	344,703	51,824	3,665	(289,214)	-	(289,214)
Community and Economic Development	57,003	-	-	(57,003)	-	(57,003)
Recreation and Culture	153	-	-	(153)	-	(153)
Interest Expense	17,268	-	-	(17,268)	-	(17,268)
<b>Total Governmental Activities</b>	<b>761,992</b>	<b>91,654</b>	<b>3,665</b>	<b>(666,673)</b>	<b>-</b>	<b>(666,673)</b>
Business-Type Activities						
Sewer	244,631	341,176	-	-	96,545	96,545
Water	283,981	283,608	-	-	(373)	(373)
<b>Total Business-Type Activities</b>	<b>528,612</b>	<b>624,784</b>	<b>-</b>	<b>-</b>	<b>96,172</b>	<b>96,172</b>
<b>Total Primary Government</b>	<b>\$ 1,290,604</b>	<b>\$ 716,438</b>	<b>\$ 3,665</b>	<b>(666,673)</b>	<b>96,172</b>	<b>(570,501)</b>
Component Units						
Downtown Development Authority	\$ 83,420	\$ -	\$ 21,288	-	-	(62,132)
<b>Total Component Units</b>	<b>\$ 83,420</b>	<b>\$ -</b>	<b>\$ 21,288</b>	<b>-</b>	<b>-</b>	<b>(62,132)</b>
General Revenues						
Property Taxes				685,815	-	685,815
State-Shared Revenues				213,794	-	213,794
Unrestricted Investment Earnings				2,548	1,282	3,830
Other Revenues				18,114	-	18,114
Transfers				(84,361)	84,361	-
<b>Total General Revenues</b>				<b>835,910</b>	<b>85,643</b>	<b>921,553</b>
Change in Net Position				169,237	181,815	351,052
Net Position--Beginning				1,392,636	3,787,189	5,179,825
Prior Period adjustment				19,520	-	19,520
<b>Net Position--Beginning-Adjusted</b>				<b>1,412,156</b>	<b>3,787,189</b>	<b>5,199,345</b>
<b>Net Position--Ending</b>				<b>\$ 1,581,393</b>	<b>\$ 3,969,004</b>	<b>\$ 5,550,397</b>

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

VILLAGE OF WEBBerville--INGHAM COUNTY  
 BALANCE SHEET-- GOVERNMENTAL FUNDS AND  
 RECONCILIATION TO STATEMENT OF NET POSITION  
 March 31, 2016

EXHIBIT C

	MAJOR FUNDS					Non-Major Building Authority	Total Governmental Funds
	General	Major Street	Local Street	Municipal Street			
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 375,638	\$ 214,140	\$ 97,414	\$ 207,153	\$ 3,294	\$ 897,639	
Receivables						-	
Taxes--Delinquent	315	-	-	101	-	416	
Accounts	11,537	-	-	-	-	11,537	
Due From State	54,690	126,617	42,341	-	-	223,648	
Due from Other Funds--Component Unit	1,153	-	-	-	-	1,153	
<b>Total Assets</b>	<b>\$ 443,333</b>	<b>\$ 340,757</b>	<b>\$ 139,755</b>	<b>\$ 207,254</b>	<b>\$ 3,294</b>	<b>\$ 1,134,393</b>	
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>							
<b>Liabilities</b>							
Accounts Payable	\$ 133,680	\$ 105	\$ -	\$ -	\$ -	\$ 133,785	
Due to Other Funds--Primary Government	1,427	8,296	1,732	-	-	11,455	
Due to State	1,599	840	424	-	-	2,863	
Due to Federal Government	13,971	7,047	3,422	-	-	24,440	
Accrued Liabilities	8,267	2,637	1,649	-	-	12,553	
<b>Total Liabilities</b>	<b>158,944</b>	<b>18,925</b>	<b>7,227</b>	<b>-</b>	<b>-</b>	<b>185,096</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue	39,964	126,617	42,341	-	-	208,922	
<b>Fund Balances</b>							
Restricted for							
Major Street	-	195,215	-	-	-	195,215	
Local Street	-	-	90,187	-	-	90,187	
Municipal Street	-	-	-	207,254	-	207,254	
Non-Major Governmental	-	-	-	-	3,294	3,294	
Unassigned	244,425	-	-	-	-	244,425	
<b>Total Fund Balances</b>	<b>244,425</b>	<b>195,215</b>	<b>90,187</b>	<b>207,254</b>	<b>3,294</b>	<b>740,375</b>	
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 443,333</b>	<b>\$ 340,757</b>	<b>\$ 139,755</b>	<b>\$ 207,254</b>	<b>\$ 3,294</b>	<b>\$ 1,134,393</b>	
<b>Fund Balances--Total Governmental Funds</b>						<b>\$ 740,375</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						818,136	
Revenues that do not provide current financial resources are not reported as revenue in the funds--Unavailable State Grants						208,922	
<b>Internal Service Fund</b>							
Capital Assets						181,662	
Fund Net Position						77,320	
Long-term liabilities are not due and payable in the current period and are not reported in the funds.							
Net Pension Liability						(49,272)	
Pension Deferrals						57,066	
Drain Assessments						(346,614)	
Installment Purchases						(106,202)	
<b>Net Position of Governmental Activities</b>						<b>\$ 1,581,393</b>	

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



VILLAGE OF WEBBERVILLE--INGHAM COUNTY  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS  
AND RECONCILIATION TO STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended March 31, 2016

EXHIBIT D

	MAJOR FUNDS					Nonmajor Building Authority	Total Governmental Funds
	General	Major Street	Local Street	Municipal Street			
<b>Revenues</b>							
Property Taxes	\$ 603,036	\$ -	\$ -	\$ 82,779	\$ -	\$ -	\$ 685,815
Licenses and Permits	21,563	-	-	-	-	-	21,563
State Grants	95,161	2,199	1,466	-	-	-	98,826
Charges for Services	51,824	-	-	-	-	-	51,824
Fines and Forfeits	18,267	-	-	-	-	-	18,267
Interest and Rentals	649	161	1,585	-	-	-	2,395
Other Revenue	5,110	3,334	-	-	-	-	8,444
<b>Total Revenues</b>	<b>795,610</b>	<b>5,694</b>	<b>3,051</b>	<b>82,779</b>	<b>-</b>	<b>-</b>	<b>887,134</b>
<b>Expenditures</b>							
Current							
General Government	5,815	-	-	-	-	-	5,815
Public Safety	305,105	-	-	-	-	-	305,105
Public Works	232,205	72,443	28,473	122	-	-	333,243
Community and Economic Development	57,003	-	-	-	-	-	57,003
Recreation and Cultural	153	-	-	-	-	-	153
Capital Outlay	6,285	-	-	-	-	-	6,285
Debt Service	39,999	-	-	12,406	-	-	52,405
<b>Total Expenditures</b>	<b>646,565</b>	<b>72,443</b>	<b>28,473</b>	<b>12,528</b>	<b>-</b>	<b>-</b>	<b>760,009</b>
Excess of Revenues Over (Under) Expenditures	149,045	(66,749)	(25,422)	70,251	-	-	127,125
<b>Other Financing Sources (Uses)</b>							
Interfund Transfers In	-	-	-	14,223	-	-	14,223
Interfund Transfers (Out)	(98,584)	-	-	-	-	-	(98,584)
<b>Total Other Financing Sources (Uses)</b>	<b>(98,584)</b>	<b>-</b>	<b>-</b>	<b>14,223</b>	<b>-</b>	<b>-</b>	<b>(84,361)</b>
<b>Net Change in Fund Balances</b>	<b>50,461</b>	<b>(66,749)</b>	<b>(25,422)</b>	<b>84,474</b>	<b>-</b>	<b>-</b>	<b>42,764</b>
Fund Balance--April 1, 2015	193,964	261,964	115,609	122,780	3,294	-	697,611
Fund Balance--March 31, 2016	<u>\$ 244,425</u>	<u>\$ 195,215</u>	<u>\$ 90,187</u>	<u>\$ 207,254</u>	<u>\$ 3,294</u>	<u>\$ -</u>	<u>\$ 740,375</u>
Net Change in Fund Balances--Total Governmental Funds							\$ 42,764
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.							
Add--Capital Outlay							6,285
Deduct--Depreciation Expense							(51,521)
Net increase (decrease) in unavailable state revenue							118,633
Internal service funds are used by management to charge the costs of equipment usage and other services to individual governmental and enterprise funds. The net revenue (expense) attributable to those funds is reported with governmental activities.							28,193
Pension Expenses							(11,852)
Repayments of installment purchase agreements is an expenditure in the governmental funds, but not in the Statement of Activities (where it reduces the long-term debt).							36,735
Change in Net Position of Governmental Activities							<u>\$ 169,237</u>

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

VILLAGE OF WEBBERVILLE--INGHAM COUNTY  
 STATEMENT OF NET POSITION--  
 PROPRIETARY FUNDS  
 March 31, 2016

EXHIBIT E

	ENTERPRISE FUNDS			GOVERNMENTAL
	Major Funds		Total	ACTIVITIES
	Sewer	Water	Enterprise Funds	Internal Service Motor Pool
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 476,752	\$ 403,556	\$ 880,308	\$ 56,976
Accounts Receivable	55,878	46,174	102,052	-
Due From Other Funds	-	-	-	22,414
<b>Total Current Assets</b>	<b>532,630</b>	<b>449,730</b>	<b>982,360</b>	<b>79,390</b>
Non-Current Assets				
Capital Assets--Net of Accumulated Depreciation	1,772,054	1,687,394	3,459,448	181,662
Capital Assets--Non-Depreciating	21,657	49,460	71,117	-
<b>Total Non-Current Assets</b>	<b>1,793,711</b>	<b>1,736,854</b>	<b>3,530,565</b>	<b>181,662</b>
<b>Total Assets</b>	<b>2,326,341</b>	<b>2,186,584</b>	<b>4,512,925</b>	<b>261,052</b>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	5,144	20,279	25,423	-
Due to Other Funds	3,531	8,092	11,623	-
Due To State	2,355	2,485	4,840	-
Due To Federal Government	19,326	20,227	39,553	-
Other Accrued Liabilities	13,149	12,333	25,482	2,070
<b>Total Current Liabilities</b>	<b>43,505</b>	<b>63,416</b>	<b>106,921</b>	<b>2,070</b>
Non-Current Liabilities				
Installment Purchase Payable--Due Within One Year	-	-	-	25,537
Installment Purchase Payable--Due in More Than One Year	-	-	-	80,538
Bonds Payable--Due Within One Year	82,380	44,620	127,000	-
Bonds Payable--Due in More Than One Year	212,480	97,520	310,000	-
<b>Total Non-Current Liabilities</b>	<b>294,860</b>	<b>142,140</b>	<b>437,000</b>	<b>106,075</b>
<b>Total Liabilities</b>	<b>338,365</b>	<b>205,556</b>	<b>543,921</b>	<b>108,145</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	1,498,851	1,594,714	3,093,565	75,587
Unrestricted	489,125	386,314	875,439	77,320
<b>Total Net Position</b>	<b>\$ 1,987,976</b>	<b>\$ 1,981,028</b>	<b>\$ 3,969,004</b>	<b>\$ 152,907</b>

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

VILLAGE OF WEBBERVILLE--INGHAM COUNTY  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
 IN NET POSITION--PROPRIETARY FUNDS  
 For the Fiscal Year Ended March 31, 2016

EXHIBIT F

	<u>ENTERPRISE FUNDS</u>		<u>Total Enterprise Funds</u>	<u>GOVERNMENTAL ACTIVITIES</u>
	<u>Major Funds</u>			<u>Internal Service</u>
	<u>Sewer</u>	<u>Water</u>		<u>Motor Pool</u>
Operating Revenues				
Charges for Services	<u>\$ 341,176</u>	<u>\$ 283,608</u>	<u>\$ 624,784</u>	<u>\$ 114,742</u>
Total Operating Revenues	<u>341,176</u>	<u>283,608</u>	<u>624,784</u>	<u>114,742</u>
Operating Expenses				
Wages and Fringes	101,653	110,383	212,036	-
Operating Expenses	45,033	76,857	121,890	-
Repairs and Maintenance	16,280	-	16,280	36,343
Contracted Services	1,884	17,401	19,285	3,449
Utilities	7,871	16,955	24,826	-
Insurance	-	1,206	1,206	4,199
Depreciation	<u>60,928</u>	<u>54,707</u>	<u>115,635</u>	<u>40,640</u>
Total Operating Expenses	<u>233,649</u>	<u>277,509</u>	<u>511,158</u>	<u>84,631</u>
Operating Income (Loss)	<u>107,527</u>	<u>6,099</u>	<u>113,626</u>	<u>30,111</u>
Non-Operating Revenues (Expenses)				
Interest Earned on Investments	606	676	1,282	153
Interest Expense	<u>(10,982)</u>	<u>(6,472)</u>	<u>(17,454)</u>	<u>(2,071)</u>
Total Non-Operating Revenues (Expenses)	<u>(10,376)</u>	<u>(5,796)</u>	<u>(16,172)</u>	<u>(1,918)</u>
Transfers In (Out)	29,355	55,006	84,361	-
Change in Net Position	126,506	55,309	181,815	28,193
Total Net Position--April 1, 2015	<u>1,861,470</u>	<u>1,925,719</u>	<u>3,787,189</u>	<u>124,714</u>
Total Net Position--March 31, 2016	<u>\$ 1,987,976</u>	<u>\$ 1,981,028</u>	<u>\$ 3,969,004</u>	<u>\$ 152,907</u>

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

VILLAGE OF WEBBERVILLE--INGHAM COUNTY  
STATEMENT OF CASH FLOWS--  
PROPRIETARY FUNDS  
For the Fiscal Year Ended March 31, 2016

EXHIBIT G

	ENTERPRISE FUNDS			GOVERNMENTAL
	Major Funds		Total	ACTIVITIES
	Sewer	Water	Enterprise Funds	Internal Service Motor Pool
Cash Flows From Operating Activities				
Cash Received From Customers	\$ 333,550	\$ 278,731	\$ 612,281	\$ 114,742
Cash Payments to Employees for Services and Benefits	(100,397)	(85,796)	(186,193)	-
Cash Payments to Suppliers for Goods and Services	(47,205)	(91,937)	(139,142)	(44,016)
Net Cash Provided by Operating Activities	185,948	100,998	286,946	70,726
Cash Flows From Non-Capital Financing Activities				
Transfers from Other Funds	29,355	55,006	84,361	-
Share	3,531	8,092	11,623	(22,414)
Net Cash Provided by Non-Capital Financing Activities	32,886	63,098	95,984	(22,414)
Purchase of Capital Assets	-	-	-	(168,148)
Debt Proceeds	-	-	-	134,500
Reduction of Debt	(80,760)	(43,240)	(124,000)	(28,425)
Interest Paid on Bonds	(12,162)	(7,217)	(19,379)	-
Net Cash Provided by Capital and Related Financing Activities	(92,922)	(50,457)	(143,379)	(62,073)
Cash Flows From Investing Activities				
Interest on Cash Equivalents	606	676	1,282	153
Net Cash Provided by Investing Activities	606	676	1,282	153
Net Increase (Decrease) in Cash and Cash Equivalents	126,518	114,315	240,833	(13,608)
Cash and Cash Equivalents at Beginning of Year	350,234	289,241	639,475	70,584
Cash and Cash Equivalents at End of Year	\$ 476,752	\$ 403,556	\$ 880,308	\$ 56,976
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ 107,527	\$ 6,099	\$ 113,626	\$ 30,111
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	60,928	54,707	115,635	40,640
(Increase) Decrease in Accounts Receivable	(7,626)	(7,190)	(14,816)	-
Increase in Accrued Liabilities	1,256	27,103	28,359	-
Increase (Decrease) in Accounts Payable	23,863	20,279	44,142	(25)
Net Cash Provided by Operating Activities	\$ 185,948	\$ 100,998	\$ 286,946	\$ 70,726

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

VILLAGE OF WEBBERVILLE--INGHAM COUNTY  
STATEMENT OF NET POSITION--  
COMPONENT UNIT  
March 31, 2016

EXHIBIT H

	<u>Downtown Development Authority</u>
<u>ASSETS</u>	
Current Assets	
Cash and Cash Equivalents	\$ 67,374
Accounts Receivable	299,097
Total Current Assets	<u>366,471</u>
Non-Current Assets	
Capital Assets--Net of Accumulated Depreciation	40,083
Capital Assets--Non-Depreciating	757,926
Total Non-Current Assets	<u>798,009</u>
Total Assets	<u>1,164,480</u>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts Payable	3,258
Due to Other Funds--Primary Government	1,153
Total Current Liabilities	<u>4,411</u>
Non-Current Liabilities	
Bonds Payable--Due Within One Year	101,500
Bonds Payable--Due in More Than One Year	710,500
Total Non-Current Liabilities	<u>812,000</u>
Total Liabilities	<u>816,411</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	798,009
Unrestricted	<u>(449,940)</u>
Total Net Position	<u>\$ 348,069</u>

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

VILLAGE OF WEBBERVILLE--INGHAM COUNTY  
 STATEMENT OF ACTIVITIES--  
 COMPONENT UNIT  
 For the Fiscal Year Ended March 31, 2016

EXHIBIT I

	<u>Downtown Development Authority</u>
Program Expenses	
Public Works	<u>\$ 83,420</u>
Total Program Expenses	<u>83,420</u>
Program Revenue	
Operating Grants and Contributions	<u>21,288</u>
Total Program Revenue	<u>21,288</u>
Net Program Revenue	<u>(62,132)</u>
General Revenue	
Taxes	286,713
Interest	<u>144</u>
Total General Revenue	<u>286,857</u>
Change in Net Position	<u>224,725</u>
Net Position	
Beginning of Year	<u>123,344</u>
End of Year	<u><u>\$ 348,069</u></u>

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

## VILLAGE OF WEBBERVILLE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended March 31, 2016

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

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

##### Reporting Entity

The Village of Webberville is located in Ingham County and provides services to its 1,291 residents in many areas including: public safety, public works and general government. The Village is governed by a four-member council, including a president elected by the citizens of the Village.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria established by Government Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the data was not included. The component unit total is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description of each component unit).

##### Discretely Presented Component Unit

The Downtown Development Authority (DDA) meets the criteria above and is included as a discretely presented component unit of the Village. 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. The DDA does not issue any other financial statements.

##### Blended Component Unit

The Webberville Building Authority (WBA) is a blended component unit of the Village. The Village council members 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. A separate report is not prepared for the WBA.

##### Basis of Presentation--Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and

## VILLAGE OF WEBBERVILLE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended March 31, 2016

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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, expenditures relating to compensated absences, claims, and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Village.



VILLAGE OF WEBBERVILLE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended March 31, 2016

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Village reports the following major governmental funds:

- The General fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Major Street fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.
- The Local Street fund accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.
- The Municipal Street fund accounts for tax revenues that are restricted for street-oriented operations.

The Village reports the following major enterprise funds:

- The Sewer fund accounts for the sewer operations of the Village.
- The Water fund accounts for the water operations of the Village.

Additionally, the Village reports the internal service fund type.

- The Motor Pool fund accounts for vehicle and equipment use and management services provided to other departments of the Village on a cost reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

VILLAGE OF WEBBERVILLE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended March 31, 2016

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash is considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

Inter-fund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "inter-fund receivables/payables" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are informally defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of a year. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
Building and Building Improvements	20 to 40 years	
Vehicles	3 to 10 years	
Equipment	3 to 10 years	
Infrastructure	20 to 40 years	
Water and Sewer System		20 to 75 years

VILLAGE OF WEBBERVILLE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended March 31, 2016

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or inflow (revenue) until then. In this category deferred outflows of resources related to the defined benefit pension plan. The deferred outflows/inflows of resources related to pensions from the following sources: difference between expected and actual experience, changes in assumptions, net difference between projected and actual earnings on pension plan investments, and employer contributions to the plan subsequent to the measurement date. Governmental funds also report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

Long-Term Obligations

In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Use of Estimates

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

Other Financing Sources (Uses)

Transfers of cash between the various Village funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

Fund Balance Classifications

In the fund financial statements, governmental funds report the following components of fund balance which comprise a hierarchy based on the extent to which the Village is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

## VILLAGE OF WEBBERVILLE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended March 31, 2016

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Restricted Fund Balances

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by Constitution, external resource providers, or through enabling legislation.

The Village of Webberville reports the following restricted fund balances.

##### Special Revenue Funds

- Major Street fund - The Major Street fund is used in the Village to account for the maintenance and construction of the Village's major street system. The fund is used to account for the receipt and expenditure of state motor fuel taxes which are earmarked by law, Public Act (PA) 51 of 1951, for major street and highway purposes, federal aid for major street purposes, and general fund appropriations.
- Local Street fund - The Local Street fund is used in the Village to account for the maintenance and construction of the Village's local street system. The fund is used to account for the receipt and expenditure of state motor fuel taxes which are earmarked by law, PA 51 of 1951, for local street and highway purposes, federal aid for local street purposes, and general fund appropriations.
- Municipal Street fund – The Municipal Street fund is used in the Village to account for tax revenues that are restricted for street orientated operations.
- Building Authority fund – The Building Authority fund is used in the Village to account for building and financing repairs and major improvements to the Village Hall and Library building.

##### Unassigned Fund Balance

Unassigned fund balance is the residual classification for the Village's general fund and includes all spendable amounts not contained in the other classifications and is, therefore, available to be spent as determined by the Village Council. The Village Council has not established a policy for its use of unrestricted fund balance amounts. However, if the Village had committed and/or assigned fund balances, the committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

VILLAGE OF WEBBERVILLE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended March 31, 2016

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets are adopted by the Village Council for the General fund and Special Revenue funds. Documentation of a public hearing could not be found. The budgetary basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget is adopted at the activity level and control is exercised at the activity level. The Village Council monitors and amends the budgets as necessary. Unexpended appropriations lapse at year end.

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year, the Village incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

<u>Fund, Function, Activity</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
General Fund				
Public Safety				
Building Inspections	\$ 61,500	\$ 40,822	\$ 59,263	\$ (18,441)
Public Works				
Department of Public Works	95,000	95,000	187,730	(92,730)
Community and Economic Development				
Economic Development	25,000	25,000	35,716	(10,716)
Recreation and Culture				
Parks and Recreation	-	-	153	(153)
Debt Service				
Principal	-	-	28,298	(28,298)
Interest	-	-	11,701	(11,701)
Other Financing Uses				
Transfers Out	-	-	98,584	(98,584)
Municipal Street				
Debt Service				
Principal	-	-	8,910	(8,910)
Interest	-	-	3,496	(3,496)

Failure to File F-65 Report and Annual Audit Report

The Village failed to file the annual audit reports with the State (Department of Treasury). The Village also failed to file the Annual Local Unit Fiscal Report (F-65 Report) in accordance with MCL 141.425 section 5.

VILLAGE OF WEBBERVILLE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended March 31, 2016

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Social Security Number Privacy Policy

The Village has not adopted a Social Security Number Privacy Policy in compliance with Public Act 454 of 2004, MCL 455.84.

Non-Compliance with the Uniform Chart of Accounts

The Village is not in compliance with the Uniform Chart of Accounts. Essentially every asset account, liability account, revenue account, and expense account does not comply with accounts listed in the Uniform Chart of Accounts. As a result, the Village is non-compliant with State statute.

Village Council Minutes

The Village was unable to provide us with the minutes for the Village Council meeting in September 2015 and the meeting in May 2016. As such, the Village is in direct violation of the Open Meetings Act.

NOTE C--DEPOSITS AND INVESTMENTS

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

The Village has designated four (4) financial institutions for the deposit of Village funds. The investment policy adopted by the Council in accordance with 1943 PA 20, has authorized investment in the instruments described in the preceding paragraph. The Village's deposit and investment policy are in accordance with statutory authority.

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and Cash Equivalents	\$ 954,615	\$ 880,308	\$ 1,834,923	\$ 67,374
Total	<u>\$ 954,615</u>	<u>\$ 880,308</u>	<u>\$ 1,834,923</u>	<u>\$ 67,374</u>

## VILLAGE OF WEBBERVILLE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended March 31, 2016

#### NOTE C--DEPOSITS AND INVESTMENTS (Continued)

##### Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Village's deposits may not be recovered. The Village does not have a deposit policy for custodial credit risk. The bank balance of the Village's deposits is \$1,748,563, of which \$1,000,000 is covered by Federal depository insurance. The remaining \$748,563 is uncollateralized. The discrete component unit's deposits had a bank balance of \$319,521 of which none was covered by federal depository insurance. The Village also maintains \$27 in imprest cash.

#### NOTE D--PROPERTY TAXES

The Village's 2015 ad valorem tax was levied and collectible on July 1, 2015. It is the Village's policy to recognize revenues from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing operations. Property taxes are recognized when received. The 2015 State taxable valuation amounted to \$50,266,201, on which ad valorem taxes levied for all Village purposes were \$679,026. There were 11.6081 mills for general operations and 1.5919 mills for street improvements. These taxes were recognized in the respective General and Municipal Street funds.

#### NOTE E--RECEIVABLES

##### Accounts Receivable

Accounts receivable is recorded in the Sewer fund, the Water fund, the General fund (for trash removal and Revenue Sharing payments), the Major Street fund, and the Local Street fund. The sewer and water receivables are based on the sewer and water services provided by the Village. The receivables in the General fund are for trash removal services. The receivables do not have an allowance for doubtful accounts because any sewer, water, or trash receivables that are not collected are placed on the customer's tax bill. The receivable for the Sewer Fund is \$55,878 and the receivable for the Water fund is \$46,174. The sewer and water receivables are not offset by unavailable revenue. The receivable in the General fund for trash services is \$11,537.

VILLAGE OF WEBBERVILLE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended March 31, 2016

NOTE F-- INTERFUND RECEIVABLES AND PAYABLES/TRANSFERS

The interfund receivables and payables for the Village are as follows:

<u>Interfund Receivables</u>	<u>Interfund Payables</u>					<u>Total</u>
	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Sewer</u>	<u>Water</u>	
Internal Service Fund	<u>\$ 1,427</u>	<u>\$ 8,296</u>	<u>\$ 1,732</u>	<u>\$ 3,531</u>	<u>\$ 8,092</u>	<u>\$23,078</u>
Total Primary Govt.	<u>\$ 1,427</u>	<u>\$ 8,296</u>	<u>\$ 1,732</u>	<u>\$ 3,531</u>	<u>\$ 8,092</u>	<u>\$23,078</u>

The inter-fund receivable balance due from the General fund, Major Street fund, Local Street fund, Sewer fund, and Water fund are for equipment rental amounts that were not made before the end of the fiscal year. The amounts are expected to be transferred by the end of the fiscal year ended in March 31, 2017.

The 2016 operating transfers from Exhibits D and F can be summarized as follows:

<u>Transfers In</u>	<u>Transfers Out</u>
	<u>General</u>
Municipal Street	\$ 14,223
Water	55,006
Sewer	<u>29,355</u>
Total Government	<u>\$ 98,584</u>

The inter-fund transfer between the General fund and the Municipal Street fund, Water fund, and Sewer fund was to assist with their operations.



VILLAGE OF WEBBERVILLE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended March 31, 2016

NOTE G--CAPITAL ASSETS

Capital asset activity of the primary government of the Village for the current year was as follows:

<u>Governmental Activities</u>	<u>Account Balances 4/1/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Account Balances 3/31/16</u>
Capital Assets Not Being Depreciated				
Land	\$ 80,564	\$ -	\$ -	\$ 80,564
Subtotal	<u>80,564</u>	<u>-</u>	<u>-</u>	<u>80,564</u>
Capital Assets Being Depreciated				
Motor Pool Equipment	221,230	168,149	-	389,379
Buildings	882,499	-	-	882,499
Office Equipment	56,390	6,285	865	61,810
DPW Equipment	173,732	-	-	173,732
Infrastructure	490,911	-	-	490,911
Total	<u>1,824,762</u>	<u>174,434</u>	<u>865</u>	<u>1,998,331</u>
Less Accumulated Depreciation				
Motor Pool Equipment	167,076	40,640	-	207,716
Buildings	429,439	25,946	-	455,385
Office Equipment	51,143	1,515	865	51,793
DPW Equipment	173,732	-	-	173,732
Infrastructure	166,410	24,061	-	190,471
Total	<u>987,800</u>	<u>92,162</u>	<u>865</u>	<u>1,079,097</u>
Net Capital Assets Being Depreciated	<u>836,962</u>	<u>82,272</u>	<u>-</u>	<u>919,234</u>
Total Governmental Activities				
Capital Assets--Net of Depreciation	<u>\$ 917,526</u>	<u>\$ 82,272</u>	<u>\$ -</u>	<u>\$ 999,798</u>

VILLAGE OF WEBBERVILLE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended March 31, 2016

NOTE G--CAPITAL ASSETS (Continued)

<u>Business-Type Activities</u>	<u>Account Balances 4/1/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Account Balances 3/31/16</u>
<b>Capital Assets Not Being Depreciated</b>				
Land - Sewer	\$ 21,657	\$ -	\$ -	\$ 21,657
Land - Water	49,460	-	-	49,460
Subtotal	71,117	-	-	71,117
<b>Capital Assets Being Depreciated</b>				
Sewer System	3,284,024	-	-	3,284,024
Water System	3,081,372	-	-	3,081,372
Total	6,365,396	-	-	6,365,396
<b>Less Accumulated Depreciation</b>				
Sewer System	1,451,043	60,927	-	1,511,970
Water System	1,339,270	54,708	-	1,393,978
Total	2,790,313	115,635	-	2,905,948
Net Capital Assets Being Depreciated	3,575,083	(115,635)	-	3,459,448
Total Business-Type Activities Capital Assets--Net of Depreciation	<u>\$ 3,646,200</u>	<u>\$(115,635)</u>	<u>\$ -</u>	<u>\$ 3,530,565</u>

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

<b>Governmental Activities</b>	
General Government	\$ 19,817
Public Works	72,345
Total Depreciation Expense - Governmental Activities	<u>\$ 92,162</u>
<b>Business-Type Activities</b>	
Sewer	\$ 60,927
Water	54,708
Total Depreciation Expense - Business Type Activities	<u>\$ 115,635</u>

VILLAGE OF WEBBERVILLE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended March 31, 2016

NOTE G--CAPITAL ASSETS (Continued)

Capital asset activity of the Downtown Development Authority (DDA) for the current year was as follows:

	Account Balances 4/1/15	Additions	Deductions	Account Balances 3/31/16
<u>Discretely Presented Component Unit</u>				
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 757,926	\$ -	\$ -	\$ 757,926
Subtotal	757,926	-	-	757,926
<u>Capital Assets Being Depreciated</u>				
Streetscape	57,164	-	-	57,164
Total	57,164	-	-	57,164
<u>Less Accumulated Depreciation</u>				
Streetscape	14,223	2,858	-	17,081
Total	14,223	2,858	-	17,081
Net Capital Assets Being Depreciated	42,941	(2,858)	-	40,083
Total Discretely Presented Component Unit Capital Assets--Net of Depreciation	\$ 800,867	\$ (2,858)	\$ -	\$ 798,009

VILLAGE OF WEBBERVILLE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended March 31, 2016

NOTE H--LONG-TERM DEBT

The individual long-term debt of the primary government of the Village, and the changes therein, may be summarized as follows:

	Balance 04/01/2015	Additions	(Reductions)	Balance 03/31/2016	Due Within One Year
<u>Governmental Activities</u>					
2015 Straight Lease Agreement Payable of \$134,500 for five years at an interest rate of 2.6% due in annual installments for a vac truck	\$ -	\$ 134,500	\$ (28,298)	\$ 106,202	\$ 25,537
General Assessment of Drains from Ingham County Drain Commission interest rates varied by drain	383,349	-	(36,735)	346,614	36,734
Total Governmental Activities	<u>\$ 383,349</u>	<u>\$ 134,500</u>	<u>\$ (65,033)</u>	<u>\$ 452,816</u>	<u>\$ 62,271</u>
<u>Business-Type Activities</u>					
Village 2011 Wastewater Treatment Refunding Bonds, at an interest rate of 4.135%	\$ 217,700	\$ -	\$ (50,840)	\$ 166,860	\$ 52,380
Village 2012 Sewer Capital Improvement Bonds, at an interest rate of 2.45%	158,000	-	(30,000)	128,000	30,000
Village 2011 Water Revenue Refunding Bonds at an interest rate of 4.135%.	185,300	-	(43,160)	142,140	44,620
Total Business-Type Activities	<u>\$ 561,000</u>	<u>\$ -</u>	<u>\$ (124,000)</u>	<u>\$ 437,000</u>	<u>\$ 127,000</u>
Total Primary Government	<u>\$ 944,349</u>	<u>\$ 134,500</u>	<u>\$ (189,033)</u>	<u>\$ 889,816</u>	<u>\$ 189,271</u>

Discretely Presented Component Units

The following is a summary of pertinent information concerning the discretely presented component units' changes in long-term debt as of the end of the fiscal year:

	Balance 04/01/2015	Additions	(Reductions)	Balance 03/31/2016	Due Within One Year
<u>Downtown Development Authority</u>					
General Obligation for Drains with Ingham County Drain Commission at varied interest rates	\$ 913,500	\$ -	\$ (101,500)	\$ 812,000	\$ 101,500
Total Discrete Component Units	<u>\$ 913,500</u>	<u>\$ -</u>	<u>\$ (101,500)</u>	<u>\$ 812,000</u>	<u>\$ 101,500</u>

VILLAGE OF WEBBERVILLE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended March 31, 2016

NOTE H--LONG-TERM DEBT (Continued)

Annual Principal and Interest Requirements--Primary Government

The annual requirements to pay the principal and interest on the primary government of the Village's direct general long-term debt obligations outstanding at March 31, 2016, are as follows:

Fiscal Year	Primary Govt.--Governmental Activities			Primary Govt.--Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 62,272	\$ 16,917	\$ 79,189	\$ 127,000	\$ 14,717	\$ 141,717
2018	62,936	9,590	72,526	137,000	9,874	146,874
2019	63,617	12,686	76,303	139,000	4,728	143,728
2020	64,317	10,544	74,861	34,000	624	34,624
2021	36,735	8,383	45,118	-	-	-
2022-2026	125,272	21,338	146,610	-	-	-
2027-2031	37,667	5,593	43,260	-	-	-
Total	<u>\$ 452,816</u>	<u>\$ 85,051</u>	<u>\$ 537,867</u>	<u>\$ 437,000</u>	<u>\$ 29,943</u>	<u>\$ 466,943</u>

Vac Truck Lease

During 2015, the Village obtained a five-year straight lease in the amount of \$134,500 for a DPW Vactor Combination Sewer Cleaner (vac truck), carrying an interest rate of 2.6%.

Principal and interest payments for the vac truck lease are as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 25,537	\$ 2,761	\$ 28,298
2018	26,201	2,097	28,298
2019	26,882	1,416	28,298
2020	27,582	717	28,299
	<u>\$ 106,202</u>	<u>\$ 6,991</u>	<u>\$ 113,193</u>

VILLAGE OF WEBBERVILLE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended March 31, 2016

NOTE H--LONG-TERM DEBT (Continued)

General Assessments of Drains

The Village is assessed for drains at large by the Ingham County Drain Commission. The assessments cover the Village's share of the cost for drains.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 36,734	\$ 14,156	\$ 50,890
2018	36,735	7,493	44,228
2019	36,735	11,270	48,005
2020	36,735	9,827	46,562
2021	36,735	8,383	45,118
2022-2026	125,272	21,338	146,610
2027-2031	<u>37,668</u>	<u>5,593</u>	<u>43,261</u>
	<u>\$ 346,614</u>	<u>\$ 78,060</u>	<u>\$ 424,674</u>

Water and Sewer

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 with principal on May 1 and November 1 of each year commencing November 1, 2011. Bonds are payable through November 1, 2018.

The debt service requirements for the bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 97,000	\$ 11,765	\$ 108,765
2018	105,000	7,670	112,670
2019	<u>107,000</u>	<u>3,308</u>	<u>110,308</u>
	<u>\$ 309,000</u>	<u>\$ 22,743</u>	<u>\$ 331,743</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  
For the Fiscal Year Ended March 31, 2016

NOTE H--LONG-TERM DEBT (Continued)

The debt service requirements for the bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 30,000	\$ 2,952	\$ 32,952
2018	32,000	2,204	34,204
2019	32,000	1,420	33,420
2020	<u>34,000</u>	<u>624</u>	<u>34,624</u>
	<u>\$ 128,000</u>	<u>\$ 7,200</u>	<u>\$ 135,200</u>

Downtown Development Authority - General Assessments of Drains – Component Unit

The DDA is assessed for drains at large by the Ingham County Drain Commission. The assessments cover the DDA's share of the cost for drains.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 101,500	\$ 30,250	\$ 131,750
2018	101,500	26,469	127,969
2019	101,500	22,687	124,187
2020	101,500	18,906	120,406
2021	101,500	15,125	116,625
2022-2024	<u>304,500</u>	<u>22,687</u>	<u>327,187</u>
	<u>\$ 812,000</u>	<u>\$ 136,124</u>	<u>\$ 948,124</u>

NOTE I--EMPLOYEES' RETIREMENT SYSTEM

General Information about the Pension Plan

*Plan Description:* The Village's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Village participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

VILLAGE OF WEBBERVILLE

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2016

NOTE I--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Summary of Significant Accounting Policies

*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 Municipal Employees Retirement System (MERS) of Michigan 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 when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Benefits Provided--Defined Benefit.* The Village's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. Benefit terms, within the guidelines established by MERS, are established and amended by the Village Council, usually after negotiation of terms with applicable unions. Any changes to the plan, including cost of living adjustments, would have to be approved by the Village Council in this manner also.

*Benefits Provided:*

Division 1 - General: Open Division	2015 Valuation
Benefit Multiplier	1.7% Multiplier (No Max)
Normal Retirement Age	60
Vesting	10 Years
Early Retirement (Reduced)	50/25
	55/15
Final Average Compensation	5 Years
Employee Contributions	5.50%
Act 88	No

*Employees covered by benefit terms:* At the December 31, 2015 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	3
Active employees	5
Total employees covered by MERS Plan	10



VILLAGE OF WEBBERVILLE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended March 31, 2016

NOTE I--EMPLOYEES' RETIREMENT SYSTEM (Continued)

*Contributions:* The Village is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2015, the Village's contribution rate was 1.81%.

Net Pension Liability

The Village's Net Pension Liability was measured as of December 31, 2015, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation performed as of that date.

*Actuarial assumptions:* The total pension liability in the December 31, 2015 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	3.75% in the long-term
Investment Rate of Return	7.75%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of the most recent actuarial experience study in 2009 - 2013.

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

VILLAGE OF WEBBERVILLE  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended March 31, 2016

NOTE I--EMPLOYEES' RETIREMENT SYSTEM (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

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

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balances at December 31, 2014	\$399,354	\$391,750	\$7,604
Changes for the Year:			
Service Cost	16,120	-	16,120
Interest on Total Pension Liability	32,831	-	32,831
Difference Between Expected and Actual Experience	5,152	-	5,152
Changes in Assumptions	17,232	-	17,232
Contributions--Employer	-	27,374	(27,374)
Contributions--Employee	-	9,637	(9,637)
Net Investment Income	-	(6,214)	6,214
Benefit Payments, Including Refunds	(18,921)	(18,921)	-
Other changes	-	(250)	250
Administrative Expense	-	(880)	880
Net Changes	<u>52,414</u>	<u>10,746</u>	<u>41,668</u>
Balances as of December 31, 2015	<u>\$451,768</u>	<u>\$402,496</u>	<u>\$49,272</u>

VILLAGE OF WEBBERVILLE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended March 31, 2016

NOTE I--EMPLOYEES' RETIREMENT SYSTEM (Continued)

*Sensitivity of the Net Pension Liability to changes in the discount rate:* The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.00%, as well as what the change in the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.00%) or 1% higher (9.00%) than the current rate.

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Net Pension Liability at December 31, 2015		\$ 49,272	
Change in Net Pension Liability (NPL)	\$ 52,262		\$ (43,939)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended March 31, 2016, the Village recognized pension expense of \$18,686. The Village reported deferred outflows and inflows of resources related to pensions from the following sources:

<u>Source</u>	<u>Deferred Outflows of Resources</u>
Differences in Experience	\$ 4,293
Differences in Assumptions	14,360
Excess (Deficit) Investment Returns	31,453
Contributions subsequent to the measurement date*	<u>6,961</u>
Total	<u>\$ 57,067</u>

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the fiscal year ending March 31, 2016.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in the pension expense as follows:

<u>Years Ending December 31</u>	<u>Amount</u>
2016	\$ 11,594
2017	11,594
2018	11,594
2019	11,594
2020	3,730

VILLAGE OF WEBBERVILLE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended March 31, 2016

NOTE J--RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Village purchased commercial insurance coverage through various policies for general liability, property, vehicle and workman's compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township's Participating Plan (Plan) operates as an insurance pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

NOTE K--CONSTRUCTION CODE FEES

The Village oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Village charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and shortfall is as follows:

Current Year Construction Permit Revenue	\$ 21,562
Related Expenses - Direct Costs	<u>(59,263)</u>
Current Year Surplus/(Shortfall)	<u>(37,701)</u>
Cumulative Surplus/(Shortfall) at March 31, 2016	<u>\$ (37,701)</u>

NOTE L--TAX ABATEMENTS

The Village enters into property tax abatement agreements with local businesses for the purpose of attracting or retaining businesses within the Village. Each agreement was negotiated under a state law, which allows local units to abate property taxes for a variety of economic development purposes. The abatements may be granted to local businesses located within the Village or promising to relocate within the Village. Depending on the statute referenced for a particular abatement, the Village may grant abatements of up to 50% of annual property taxes through a direct reduction of the entity's property tax bill, not to exceed twelve years. Depending on the terms of the agreement and state law, abated taxes may be subject to recapture upon default of the entity. The Village has not made any commitments as part of the agreements other than to reduce taxes. The Village is not subject to any tax abatement agreements entered into by other governmental entities.

VILLAGE OF WEBBERVILLE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended March 31, 2016

NOTE L--TAX ABATEMENTS (Continued)

For the fiscal year ended March 31, 2016, the Village abated property taxes totaling \$46,896 under Public Act 198 of 1974, related to industrial facilities, which represents a 50% abatement of the millage rate on certain real and personal properties.

NOTE M--RESTATEMENT TO NET POSITION

During the current fiscal year, the Village adopted GASB Statement Number 68, Accounting and Financial Reporting for Pensions. Due to this implementation, the government-wide statements now include a net pension liability for unfunded pension obligations. The statement of net position is restated to record the liability as of April 1, 2015:

	<u>Governmental Activities</u>
Beginning Net Position--April, 1 2015	\$ 1,392,636
Add Net Pension Liability and Related Deferrals Recorded For the Implementation of GASB Statement No. 68	<u>19,520</u>
Restated Beginning Net Position--April, 1 2015	<u>\$ 1,412,156</u>

NOTE N--CHANGE IN ACCOUNTING PRINCIPLE

During the fiscal year, the Village implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 which required governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability is now recorded on the government-wide statements and is computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, was implemented during the year. The Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

VILLAGE OF WEBBERVILLE--INGHAM COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 For the Fiscal Year Ended March 31, 2016

EXHIBIT J

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$ 631,000	\$ 603,800	\$ 603,036	\$ (764)
Licenses and Permits	45,000	27,000	21,563	(5,437)
State Grants	110,568	110,000	95,161	(14,839)
Charges for Services	-	-	51,824	51,824
Fines and Forfeitures	70,000	70,788	18,267	(52,521)
Interest and Rentals	1,000	1,000	649	(351)
Other Revenue	1,000	11,252	5,110	(6,142)
<b>Total Revenue</b>	<b>858,568</b>	<b>823,840</b>	<b>795,610</b>	<b>(28,230)</b>
<b>Expenditures</b>				
General Government	245,440	199,802	5,815	193,987
Public Safety	310,515	289,837	305,105	(15,268)
Public Works	139,475	139,475	232,205	(92,730)
Community and Economic Development	153,675	153,675	57,003	96,672
Recreation and Culture	-	-	153	(153)
Capital Outlay	25,000	25,000	6,285	18,715
Debt Service	-	-	39,999	(39,999)
<b>Total Expenditures</b>	<b>874,105</b>	<b>807,789</b>	<b>646,565</b>	<b>161,224</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(15,537)</b>	<b>16,051</b>	<b>149,045</b>	<b>132,994</b>
<b>Other Financing Sources (Uses)</b>				
Transfer In	25,000	35,230	-	(35,230)
Transfer Out	-	-	(98,584)	(98,584)
<b>Total Other Financing Sources (Uses)</b>	<b>25,000</b>	<b>35,230</b>	<b>(98,584)</b>	<b>(133,814)</b>
<b>Net Change in Fund Balance</b>	<b>9,463</b>	<b>51,281</b>	<b>50,461</b>	<b>(820)</b>
<b>Fund Balance--April 1, 2015</b>	<b>193,964</b>	<b>193,964</b>	<b>193,964</b>	<b>-</b>
<b>Fund Balance--March 31, 2016</b>	<b>\$ 203,427</b>	<b>\$ 245,245</b>	<b>\$ 244,425</b>	<b>\$ (820)</b>

VILLAGE OF WEBBERVILLE--INGHAM COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 MAJOR STREET--MAJOR SPECIAL REVENUE FUND  
 For the Fiscal Year Ended March 31, 2016

EXHIBIT K

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
State Grants				
Michigan Transportation Funds	\$ 70,000	\$ 70,000	\$ -	\$ (70,000)
Metro Act	4,000	2,200	2,199	(1)
Interest and Rentals	500	300	161	(139)
Other Revenue	-	-	3,334	3,334
Total Revenues	<u>74,500</u>	<u>72,500</u>	<u>5,694</u>	<u>(66,806)</u>
Expenditures				
Public Works	<u>118,917</u>	<u>120,463</u>	<u>72,443</u>	<u>48,020</u>
Total Expenditures	<u>118,917</u>	<u>120,463</u>	<u>72,443</u>	<u>48,020</u>
Excess of Revenues Over (Under) Expenditures	<u>(44,417)</u>	<u>(47,963)</u>	<u>(66,749)</u>	<u>(18,786)</u>
Fund Balance--April 1, 2015	<u>261,964</u>	<u>261,964</u>	<u>261,964</u>	<u>-</u>
Fund Balance--March 31, 2016	<u>\$ 217,547</u>	<u>\$ 214,001</u>	<u>\$ 195,215</u>	<u>\$ (18,786)</u>

VILLAGE OF WEBBERVILLE--INGHAM COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 LOCAL STREET--MAJOR SPECIAL REVENUE FUND  
 For the Fiscal Year Ended March 31, 2016

EXHIBIT L

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
State Grants				
Michigan Transportation Funds	\$ 22,789	\$ 22,789	\$ -	\$ (22,789)
Metro Funds	1,465	1,465	1,466	1
Interest and Rentals	100	100	157	57
Other Revenue	-	-	1,428	1,428
Total Revenues	<u>24,354</u>	<u>24,354</u>	<u>3,051</u>	<u>(21,303)</u>
Expenditures				
Public Works	<u>66,690</u>	<u>82,079</u>	<u>28,473</u>	<u>53,606</u>
Total Expenditures	<u>66,690</u>	<u>82,079</u>	<u>28,473</u>	<u>53,606</u>
Net Change in Fund Balance	<u>(42,336)</u>	<u>(57,725)</u>	<u>(25,422)</u>	<u>32,303</u>
Fund Balance--April 1, 2015	<u>115,609</u>	<u>115,609</u>	<u>115,609</u>	<u>-</u>
Fund Balance--March 31, 2016	<u>\$ 73,273</u>	<u>\$ 57,884</u>	<u>\$ 90,187</u>	<u>\$ 32,303</u>



VILLAGE OF WEBBERVILLE--INGHAM COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 MUNICIPAL STREET--MAJOR SPECIAL REVENUE FUND  
 For the Fiscal Year Ended March 31, 2016

EXHIBIT M

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$ 83,900	\$ 83,900	\$ 82,779	\$ (1,121)
Interest and Rentals	100	50	-	(50)
<b>Total Revenues</b>	<b>84,000</b>	<b>83,950</b>	<b>82,779</b>	<b>(1,171)</b>
Expenditures				
Public Works	80,900	80,854	122	80,732
Debt Service				
Principal	-	-	8,910	(8,910)
Interest	-	-	3,496	(3,496)
<b>Total Expenditures</b>	<b>80,900</b>	<b>80,854</b>	<b>12,528</b>	<b>80,732</b>
Excess of Revenues Over (Under) Expenditures	<b>3,100</b>	<b>3,096</b>	<b>70,251</b>	<b>79,561</b>
Other Financing Sources (Uses)				
Interfund Transfers In (Out)	-	-	14,223	14,223
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>14,223</b>	<b>14,223</b>
<b>Net Change in Fund Balance</b>	<b>3,100</b>	<b>3,096</b>	<b>84,474</b>	<b>81,378</b>
Fund Balance--April 1, 2015	122,780	122,780	122,780	-
<b>Fund Balance--March 31, 2016</b>	<b>\$ 125,880</b>	<b>\$ 125,876</b>	<b>\$ 207,254</b>	<b>\$ 81,378</b>

VILLAGE OF WEBBERVILLE--INGHAM COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN THE VILLAGE'S  
 NET PENSION LIABILITY AND RELATED RATIOS\*  
 For the Measurement Date December 31, 2015

SCHEDULE 1

	<u>2015</u>
Total Pension Liability	
Service Cost	\$ 16,120
Difference Between Expected and Actual Experience	5,152
Changes in Assumptions	17,232
Interest	32,831
Benefit Payments Including Employee Refunds	<u>(18,921)</u>
Net Change in Total Pension Liability	52,414
Total Pension Liability--Beginning	<u>399,354</u>
Total Pension Liability--Ending	<u><u>\$ 451,768</u></u>
Plan Fiduciary Net Position	
Contributions--Employer	\$ 27,374
Contributions--Employees	9,637
Net Investment Income	(6,214)
Benefit Payments Including Employee Refunds	(18,921)
Other	(250)
Administrative Expense	<u>(880)</u>
Net Change in Plan Fiduciary Net Position	10,746
Plan Fiduciary Net Position--Beginning	<u>391,750</u>
Plan Fiduciary Net Position--Ending	<u><u>\$ 402,496</u></u>
Employer Net Pension Liability	<u><u>\$ 49,272</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89%
Covered Employee Payroll	\$ 219,924
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	22%

Notes to Schedule:

Above dates are based on measurement date, which does not tie to the fiscal year.

\*10-year schedule as required by GASB Statement No. 68 will be built prospectively upon implementation of the standard.

VILLAGE OF WEBBERVILLE--INGHAM COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF VILLAGE'S CONTRIBUTIONS\*  
 For the Fiscal Year Ending March 31, 2016

SCHEDULE 2

	<u>2016</u>
Actuarial Determined Contributions	\$ 12,561
Contributions in Relation to the Actuarially Determined Contribution	<u>36,561</u>
Contribution Deficiency (Excess)	<u>\$ (24,000)</u>
Covered Employee Payroll	\$ 219,924
Contributions as a Percentage of Covered Employee Payroll	17%

Notes to Schedule:

Actuarial Valuation Information Relative to the Determination of Contributions:

Valuation Date

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, open
Remaining Amortization Period	25 years
Asset Valuation Method	10 year smoothed
Inflation	3 to 4%
Salary Increases	3.75%, including inflation
Investment Rate of Return	7.75%
Retirement Age	Experienced-based tables of rates that are specific to the type of eligibility condition
Mortality	50% Female / 50% Male RP-2014 Group Annuity Mortality Table

\*10-year schedule as required by GASB Statement No. 68 will be built prospectively upon implementation of the standard.

VILLAGE OF WEBBERVILLE--INGHAM COUNTY  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BY SOURCE--BUDGET AND ACTUAL--GENERAL FUND  
For the Fiscal Year Ended March 31, 2016

EXHIBIT N

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
<b>Property Taxes</b>				
Current Taxes	\$ 618,000	\$ 597,000	\$ 596,247	\$ (753)
Administrative Fees	13,000	6,800	6,789	(11)
<b>Total Property Taxes</b>	<b>631,000</b>	<b>603,800</b>	<b>603,036</b>	<b>(764)</b>
<b>Licenses and Permits</b>				
Zoning Permit Fees	20,000	12,000	3,915	(8,085)
Building Permit Fees	25,000	15,000	17,648	2,648
<b>Total Licenses and Permits</b>	<b>45,000</b>	<b>27,000</b>	<b>21,563</b>	<b>(5,437)</b>
<b>State Grants</b>				
Revenue Sharing	110,568	110,000	95,161	(14,839)
<b>Total State Grants</b>	<b>110,568</b>	<b>110,000</b>	<b>95,161</b>	<b>(14,839)</b>
<b>Charges for Services</b>				
Refuse Collection	-	-	51,824	51,824
<b>Total Charges for Services</b>	<b>-</b>	<b>-</b>	<b>51,824</b>	<b>51,824</b>
<b>Fines and Forfeitures</b>				
Fines & Forfeits	70,000	70,788	18,267	(52,521)
<b>Total Fines and Forfeitures</b>	<b>70,000</b>	<b>70,788</b>	<b>18,267</b>	<b>(52,521)</b>
<b>Interest and Rentals</b>				
Interest	1,000	1,000	649	(351)
<b>Total Interest and Rentals</b>	<b>1,000</b>	<b>1,000</b>	<b>649</b>	<b>(351)</b>
<b>Other Revenue</b>				
Miscellaneous Income	1,000	11,252	5,110	(6,142)
<b>Total Other Revenue</b>	<b>1,000</b>	<b>11,252</b>	<b>5,110</b>	<b>(6,142)</b>
<b>Total Revenue</b>	<b>858,568</b>	<b>823,840</b>	<b>795,610</b>	<b>(28,230)</b>
<b>Other Financing Sources</b>				
Fund Transfers	25,000	35,230	-	(35,230)
<b>Total Other Financing Sources</b>	<b>25,000</b>	<b>35,230</b>	<b>-</b>	<b>(35,230)</b>
<b>Total Revenue and Other Financing Sources</b>	<b>\$ 883,568</b>	<b>\$ 859,070</b>	<b>\$ 795,610</b>	<b>\$ (63,460)</b>

VILLAGE OF WEBBERVILLE--INGHAM COUNTY  
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
 BY ACTIVITY--BUDGET AND ACTUAL--GENERAL FUND  
 BUDGET AND ACTUAL--GENERAL FUND  
 For the Fiscal Year Ended March 31, 2016

EXHIBIT O

<u>EXPENDITURES</u>	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
General Government				
Village Council	\$ 245,440	\$ 199,802	\$ 5,815	\$ 193,987
Total General Government	<u>245,440</u>	<u>199,802</u>	<u>5,815</u>	<u>193,987</u>
Public Safety				
Police	249,015	249,015	245,842	3,173
Building Inspections	61,500	40,822	59,263	(18,441)
Total Public Safety	<u>310,515</u>	<u>289,837</u>	<u>305,105</u>	<u>(15,268)</u>
Public Works				
Department of Public Works	95,000	95,000	187,730	(92,730)
Rubbish Collection	44,475	44,475	44,475	-
Total Public Works	<u>139,475</u>	<u>139,475</u>	<u>232,205</u>	<u>(92,730)</u>
Community and Economic Development				
Economic Development	25,000	25,000	35,716	(10,716)
Contributions to DDA	128,675	128,675	21,287	107,388
Total Community and Economic Development	<u>153,675</u>	<u>153,675</u>	<u>57,003</u>	<u>96,672</u>
Recreation and Culture				
Parks and Recreation	-	-	153	(153)
Total Recreation and Culture	<u>-</u>	<u>-</u>	<u>153</u>	<u>(153)</u>
Capital Outlay	25,000	25,000	6,285	18,715
Total Capital Outlay	<u>25,000</u>	<u>25,000</u>	<u>6,285</u>	<u>18,715</u>
Debt Service				
Principal	-	-	28,298	(28,298)
Interest	-	-	11,701	(11,701)
Total Debt Service	<u>-</u>	<u>-</u>	<u>39,999</u>	<u>(39,999)</u>
Other Financing Uses				
Transfers Out	-	-	98,584	(98,584)
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>98,584</u>	<u>(98,584)</u>
Total Expenditures and Other Financings Uses	<u>\$ 874,105</u>	<u>\$ 807,789</u>	<u>\$ 745,149</u>	<u>\$ 62,640</u>



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RACHAEL EUBANKS  
STATE TREASURER

July 30, 2019

Village Council  
Village of Webberville  
115 South Main Street  
Webberville, Michigan 48892

RE: Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Engagement to Audit of the Financial Statements Performed in Accordance With Government Auditing Standards

Dear Council Members:

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate remaining fund information for nonmajor funds, and the discretely presented component unit of the Village of Webberville, Ingham County, Michigan, as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Village of Webberville's basic financial statements, and have issued our report thereon dated July 30, 2019. Our report disclaims an opinion on such financial statements because we were unable to obtain significant source documents to support financial statement balances.

#### Internal Control Over Financial Reporting

We considered the Village of Webberville's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of reporting on the effectiveness of the Village of Webberville's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Webberville's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as Findings 2016-001 through 2016-012 to be material weaknesses.

#### Compliance and Other Matters

In connection with our engagement to audit the financial statements of Village of Webberville, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Responses as Findings 2016-009 through 2016-022. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

#### Village of Webberville's Response to Findings

The Village of Webberville's responses to the findings identified in our engagement are described in the accompanying Schedule of Findings and Responses. The Village of Webberville's responses were not subjected to the auditing procedures applied in our engagement to audit the financial statements and accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering the Village of Webberville's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Community Engagement and Finance Division



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

July 30, 2019

Village Council  
Village of Webberville  
115 South Main Street  
Webberville, Michigan 48892

RE: Report to Those Charged with Governance

Dear Council Members:

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information and the discretely presented component unit of the Village of Webberville, Ingham County, Michigan, for the fiscal year ended March 31, 2016, and have issued our report thereon dated July 30, 2019. Professional standards require that we provide you with the following information related to our engagement to audit the financial statements.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

Our responsibility is to express an opinion on the financial statements based the engagement to conduct an audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter(s) described in the basis for disclaimer of opinion paragraph of our opinion letter, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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

We performed tests of the Village of Webberville's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.



Other Information in Documents Containing Audited Financial Statements

We were engaged for the purpose of forming an opinion on the basic financial statements as a whole. Because of the significance of the matters described in the basis for the disclaimer of opinion, it is inappropriate to and we do not express an opinion on the supplementary and other related information referred to above.

Significant Results of the Audit

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village of Webberville are described in Note A to the financial statements. As described in Note N to the financial statements, the Village of Webberville adopted the new accounting guidance of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of governmental employers through pension plans.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was implemented during the year.

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 governmental activities in the government-wide statements were depreciation and actuarial valuations for the pension. Management's estimate of the depreciation is based on the straight-line method for all capital assets. For the pension, estimates and assumptions are determined by MERS and its actuary based on the Village's employment contracts.

Difficulties Encountered in Performing the Audit

We experienced significant delays related to Village management, its outside financial advisors, and the condition of the books and records.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

Management Representations

We are disclaiming an opinion on the financial statements as a whole and have not obtained management representations.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Village of Webberville’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

Other Audit Findings or Issues

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

This information is intended solely for the use of the Village of Webberville’s Council and management of the Village of Webberville and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Community Engagement and Finance Division

VILLAGE OF WEBBERVILLE -- INGHAM COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended March 31, 2016

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

The Village is small in size. Therefore, there is an overall lack of segregation of duties which should be considered when reviewing the material weaknesses listed below. No one individual should control all key aspects of a transaction or event.

MATERIAL WEAKNESSES

Lack of Monitoring

*Finding 2016-001*

*Condition:* The Village Council has failed to monitor the internal control activities of the Village. The Village Clerk/Treasurer was given full control of the Village's financial records with limited oversight.

*Criteria:* The Standards for Internal Control for the Federal Government (which is a good general standard for all types of municipalities) defines internal control as "an integral part of an organization's management that provides reasonable assurance that the following objectives are being achieved:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations."

It further defines the monitoring of internal control as assessing the quality of performance over time and ensuring that the findings of audits and other reviews are promptly resolved. Internal control should generally be designed to ensure that ongoing monitoring occurs during normal operations. It is performed continually and is ingrained in the agency's operations. It includes regular management and supervisory activities, comparisons, reconciliations, and other related tasks.

*Cause:* The cause of this finding rests with the Village Council.

*Effect:* The failure to monitor the Village's activities may lead to misappropriation of funds and the inability of the Village Council to determine its overall financial condition.

VILLAGE OF WEBBERVILLE -- INGHAM COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
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MATERIAL WEAKNESSES (continued)

*Recommendation:* We recommend that the Village Council review these findings and not only implement policies and procedures related to the Village's internal control structure, but also monitor and oversee the activities of the Village.

*Management's Response-Corrective Action Plan:* The Village of Webberville is in the process of implementing policy and procedures for the Village Office. There will also be several reports processed and presented to the Council at every Council meeting.

Segregation of Duties

*Finding 2016-002*

*Condition:* As is the case with many organizations of similar size, the Village lacked a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Events of recent years have given rise to a heightened awareness of the risks of fraud and abuse, especially in the governmental environment, where public accountability is at its highest. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitations on the effectiveness of a government's internal controls carry with it a greater risk of fraud and abuse.

*Findings:* In our review of the Village's operating procedures, we found the following lack of segregation of duties.

- Receipting - The Clerk/Treasurer opened the mail, wrote receipts, posted cash receipts, prepared deposits, and made deposits.
- Utility billing - The Clerk/Treasurer created bills, posted bills to accounting system, mailed bills, opened the mail, wrote receipts, posted cash receipts, prepared deposits, made deposits, researched billing discrepancies and posted adjustments.
- Payroll - The Clerk/Treasurer created and could edit the payroll master file, entered the payroll into the system, resolved payroll inquiries, and prepared all tax forms.
- Disbursements – The Clerk/Treasurer approved invoices, posted invoices to the accounting system, wrote checks and posted payments to the accounting system.

*Criteria:* Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the Village's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept given the Village's unique circumstances.

VILLAGE OF WEBBERVILLE -- INGHAM COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended March 31, 2016

MATERIAL WEAKNESSES (continued)

*Cause:* This condition is a result of the Village's limited resources and the small size of its accounting staff.

*Effect:* As a result of this condition, the Village is exposed to an increased risk that misstatements or misappropriations might occur and not be detected by management in a timely manner.

*Recommendation:* While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would, nevertheless, encourage management to actively seek ways to further strengthen its internal controls by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

*Management's Response-Corrective Action Plan:* The Village of Webberville has hired two new deputies. Segregation of duties will be established and procedures will be put in place to ensure duties are split appropriately. No one person will be doing all of the procedures in the office. All checks and deposit slips will require two signatures and postings and deposits will be reviewed prior to going to the bank or sent out, which will be carried out by a separate person.

Timely Bank Reconciliations

*Finding 2016-003*

*Condition:* We found the following issues related to the Village's bank reconciliation process:

1. As of November 15, 2018, the last bank reconciliation completed by the Village, for all bank accounts, was in fiscal year 2014.
2. The bank reconciliations were completed by a contracted accounting firm more than two years after the end of the fiscal year.

*Criteria:* The APM states "all bank accounts must be reconciled to the local unit accounting records monthly and should then be reviewed by the appropriate supervisory personnel. Bank statements and reconciliations must be retained for audit purposes."

*Cause:* This condition is due to the Village's negligence in fulfilling its responsibilities.

*Effect:* Failure to reconcile the bank statements created an incomplete general ledger and led to an over or understatement of cash balances and a corresponding over or understatement of revenues and/or expenditures. The Village Council was not aware of the true financial status of any of the Village's funds and therefor; could not make any sound financial decisions. The financial condition of the Village may not have been readily determined.

1. The Village Council may not have been able to make sound business decisions because it had a lack of financial data on which to make an evaluation.

VILLAGE OF WEBBERVILLE -- INGHAM COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended March 31, 2016

MATERIAL WEAKNESSES (continued)

2. The Village Council may have obligated more funds than were available, which is a violation of the Uniform Budgeting and Accounting Act.

*Recommendation:* We recommend that the Village Council prepare, approve, and institute a reconciliation process that ensures bank reconciliations are performed monthly and reviewed by a Council member. We further recommend that the bank statements and all related documents be maintained in accordance with the Records Retentions Act of Michigan (seven years).

*Management's Response-Corrective Action Plan:* The Village of Webberville is in the process of implementing a policy and procedure for Bank Reconciliations. The Clerk/Treasurer will include the previous month's Bank Reconciliation Report to the Council at every Council meeting; as well as one of the Council Members will check the Bank Reconciliations prior to the Council meeting every month.

Receipting, Receivable, and Depositing Process

*Finding 2016-004*

*Condition:* We found the following issues related to the Village's receipting and depositing process for its governmental funds:

1. Deposits were not made timely.
2. Deposit slips and related documentation were not consistently retained by the Village.
3. At times, the Village relied on one person to open the mail, prepare deposits, make deposits, post cash receipts to the general ledger, and investigate discrepancies, while bank reconciliations were not being performed.

*Criteria:* The APM recommends the following procedures.

1. Formal evidence must be created for each collection (such as a printed sequentially numbered cash receipt ticket, cash register receipt, etc.) and provided to payors where practicable;
2. The system must include controls to ensure that every receipt is to be included in a periodic listing of cash receipts;
3. Each bank deposit (evidenced by a bank deposit slip or other documentation) must agree with the cash receipts listing noted above. For this to occur, both the deposit slip and the cash receipt listing must begin and end at the same time (e.g. daily, weekly, etc.);
4. Currency must be deposited intact. Procedures must ensure that currency (cash and coins) are counted separately from checks or other payment methods, both in the list of cash receipts and in the deposit slip (or other bank deposit support). Total currency collected must agree between these two sources;
5. Deposits must be made timely.

*Cause:* This condition is due to the Village's negligence in fulfilling its responsibilities.

VILLAGE OF WEBBERVILLE -- INGHAM COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended March 31, 2016

MATERIAL WEAKNESSES (continued)

*Effect:* The lack of documentation and errors in depositing led to an incomplete general ledger and inaccurate cash balances and revenues in all funds.

*Recommendation:* Receipts should be written for all revenue. The receipts should include all the requirements listed in the APM. Deposits should be made timely or at least once a week. Oversight procedures should be implemented to ensure deposits are being made to the correct accounts and posted accurately to the general ledger. All documentation should be maintained for at least seven years in accordance with the Records and Retention Act.

*Management's Response-Corrective Action Plan:* The Village of Webberville will have a Voucher for all payments and a Deposit Record Form for all revenue. The receipts will include at least all of the requirements listed in the APM.

Payroll and Related Withholdings

*Finding 2016-005*

*Condition:* We found the following issues related to the payroll procedures:

1. Numerous time sheets/payroll vouchers were not maintained.
2. Time sheets/payroll vouchers did not indicate consistent approvals. According to Village policy, the President is required to sign off on overtime approvals. This was not done for every instance of overtime.
3. Quarterly Form 941s, Quarterly State Withholding Forms, and Annual State Unemployment Forms were not completed. The delinquency in submitting these forms cost the Village interest and penalty charges that are still being determined.
4. Withholdings and other deductions were not remitted to the Internal Revenue Service or the Michigan Department of Treasury, as required.
5. The Village relied on one person to receive, approve, and process time sheets, enter time sheets into general ledger, prepare payroll checks, review and authorize electronic payroll disbursements, resolve payroll inquiries, edit the payroll master files, and submit federal and state forms.

*Criteria:* The APM recommends the following procedures.

1. Timekeeping and attendance records should be created for each employee and signed or initialed by the employee.
2. Time records should be approved by appropriately authorized personnel prior to preparing payroll.
3. Payroll duties should be adequately segregated between the following: payroll master file (including maintenance of pay rates), payroll check preparation, and payroll distribution.
4. Periodic review of classes of positions and pay rates to check compliance with the provisions of the salary and wage ordinance is suggested.
5. A written policy should specify the duties of each position.

VILLAGE OF WEBBERVILLE -- INGHAM COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended March 31, 2016

MATERIAL WEAKNESSES (continued)

6. Each local unit must document a process for hiring new personnel and the setting/changing of pay rates.
7. The governing body has the responsibility to approve the bill list prior to releasing the checks. The governing body may pre-approve certain expenditures, which is typically done for payroll, but those expenditures should be presented to the governing body at a subsequent meeting.
8. Withholdings and other deductions must be remitted as required by law. Payroll tax returns must be filed as required by law.

IRS Publication 15 (Circular E) requires Medicare and Social Security taxes to be withheld from all employees. Circular E requires that deposits be made monthly to the IRS for Federal taxes withheld. If incorrect amounts are withheld from employees, the employer can be held liable for the employee portion of the taxes. Failure to deposit the withholding of the Federal taxes over 10 days can result in a 15% penalty on the payment. Circular E further requires that a Form 941 be submitted to the IRS no later than the 15<sup>th</sup> day after a payroll quarter has ended.

Failure to submit the Form 941 can result in a 5% penalty of the unpaid taxes due with a maximum penalty of 25%. Also, for each whole or part month the tax is paid late, there is a failure-to-pay penalty of 0.5% per month of the amount of tax.

The Michigan Department of Treasury requires every entity to file an annual return for sales, use and withholding taxes. Forms filed late are subject to interest and penalties based on the amount of time delinquent.

The Michigan Department of Labor and Economic Opportunity requires the Employer's Quarterly Tax Report to be filed by the 25<sup>th</sup> of the month following the end of the calendar quarter. Penalty charges amounting to 10% of the taxes due on each report are assessed for late quarterly reports.

*Cause:* This condition is due to the Village's negligence in fulfilling its responsibilities.

*Effect:* A lack of accountability exists over the payroll process with the lack of oversight. The Village is and has been subject to all penalties listed above with final amounts owed still to be determined.

*Recommendation:* We recommend that the Village Council immediately provide more direct oversight over the process. We recommend that all time sheets be maintained and have documentation of the approval process. We further recommend that all payroll withholdings are properly accounted for and properly remitted. We also recommend that the Village submit all the required forms listed above and submit them on time to prevent future penalties. The Village should implement procedures to ensure that there is monitoring of payroll to ensure that the proper amounts are withheld, and the forms are filed.



VILLAGE OF WEBBERVILLE -- INGHAM COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended March 31, 2016

MATERIAL WEAKNESSES (continued)

*Management's Response-Corrective Action Plan:* The Village of Webberville will be implementing new policy and procedure for the Payroll and Payroll Taxes process. The Council will receive a Payroll Report at every Council meeting. The report will include weekly hours, check amounts, tax and benefit payments.

Water and Sewer Deposit Documentation

*Finding 2016-006*

*Condition:* During our review of the deposits for March 2016, four deposits relating to utility payments did not have any documentation supporting the deposits.

*Criteria:* According to the Uniform Accounting Procedures Manual issued by the Michigan Department of Treasury, deposits must be made timely and reconciled to official receipts. Formal evidence must be created for each collection. Each bank deposit (evidenced by a bank deposit slip or other documentation) must be in agreement with the cash receipts listing noted above.

*Cause:* This condition is due to the Village's negligence in fulfilling its responsibilities.

*Effect:* An inherent risk exists in the Village's internal control procedures over deposits that could prevent the detection and/or correction of a misstatement.

*Recommendation:* We recommend that the Village develop and implement policies and procedures that will ensure all documentation is properly maintained and reviewed to strengthen the internal control policies of the Village.

*Management's Response--Corrective Action Plan:* The Village of Webberville is in the process of implementing policies and procedures for the collection and the disbursement of the utility billing. The Council will receive a report regarding the billing, penalty and shut offs. The deposit slips will be signed by two people, the first signer will prepare the deposit and the second signer will review the report and deposit.

Disbursements Procedures

*Finding 2016-007*

*Condition:* We noted the following weaknesses during the testing of the internal controls over the cash disbursement process:

- 1) Approximately 55% of invoices tested were missing administrative approval.
- 2) Approximately 35% of disbursements tested were missing appropriate supporting documentation (vendor invoices). This includes a capital asset addition of a Boss V Blade for \$7,356.
- 3) There was an unusually high amount of voided checks. Approximately 12% of checks on the check register were voided.

VILLAGE OF WEBBERVILLE -- INGHAM COUNTY  
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MATERIAL WEAKNESSES (continued)

- 4) We observed check stock not locked in a secure location.
- 5) We observed three checks had been returned by vendors for invoices that had already been paid.
- 6) Checks found in the voided file were not marked voided in on the check register.
- 7) Check stubs were not attached to vendor invoices within the vendor file. The Village mailed all checks with both check stubs to vendors.
- 8) Vendor files were not organized in a consistent manner (i.e. alphabetically by vendor name, numerically by check number).
- 9) The Village inconsistency uses vouchers to record disbursements. We observed missing vouchers, incomplete vouchers, duplicate vouchers, and vouchers not matching amounts reported on checks.
- 10) The Village relied on one person to post invoices to the accounting system, write checks and post payments to the accounting system.

*Criteria:* Chapter 5 of the Uniform Accounting Procedures Manual states: "Each local unit must establish and maintain an adequate system of internal control for cash disbursements." The manual provides requirements for documentation and procedures surrounding cash disbursements. Several recommendations in this finding can be found in that manual.

*Cause:* The Village did not maintain the required documentation.

*Effect:* An inherent risk exists in the Village's internal control procedures over disbursements that could prevent the detection and/or correction of a misstatement

*Recommendation:* We recommend that the Village develop and implement policies and procedures that will ensure all documentation is properly maintained and reviewed to strengthen the internal control policies of the Village. Examples of good policy and procedures are as follows:

- 1) Require signed approval of all invoices by the appropriate administrative personnel before payment is issued.
- 2) Require external supporting documentation (invoices) before processing of payments.
- 3) Use a template as a reference for loading check stock into the printer. Check stock should be kept in numerical order and correspond to check numbers within the accounting system.
- 4) Limit access of check stock by securing within a safe when not in use.
- 5) Unpaid vendor invoices should be kept in a separate file, vendor invoice numbers should be checked against previous payment within the accounting software to avoid duplicate payments.
- 6) Mark checks as voided and place in a separate file for voided checks. Once a check is voided this should be recorded as a voided check with the Village's accounting software.
- 7) The Village should retain a copy of each check stub and file it with the corresponding vendor invoices paid on that check. This documentation should be filed with each vendor's file.

VILLAGE OF WEBBERVILLE -- INGHAM COUNTY  
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For the Fiscal Year Ended March 31, 2016

MATERIAL WEAKNESSES (continued)

- 8) The Village should organize vendor files in a consistent and logical manner (i.e. alphabetically by vendor name, numerically by check number).
- 9) The Village should consistently use vouchers to record accounts, approvals and describe payment amounts. This should be done based on each disbursement. The voucher should be attached to the corresponding check stub and invoices.

*Management's Response--Corrective Action Plan:* The Village of Webberville is in the process of implementing new policies and procedures. The President and the Clerk/Treasurer will sign off on every voucher for payment. There will be two signatures on the checks with both signees reviewing the documentation and the check. The person responsible for accounts payables at the time will review every invoice for prior amounts.

Health Insurance Premium Payments

*Finding 2016-008*

*Condition:* The Village did not consistently pay employee health insurance premiums on time. During the fiscal year, the average number of days that it took for the Village to pay health insurance premium bills was over 38 days, with there being four instances of it taking more than 59 days to pay a monthly premium payment.

*Criteria:* An employment benefit of Village employees is receiving health insurance. Health insurance premiums must be paid on time or there is a chance that coverage could be canceled.

*Cause:* This condition is due to the Village's negligence in fulfilling its responsibilities.

*Effect:* The effect of this finding is that the Village employees had inconsistent health insurance coverage.

*Recommendation:* We recommend that the Village establish a procedure for paying employee health insurance premiums on time.

*Management's Response--Corrective Action Plan:* The Village of Webberville is in the process of implementing new policy and procedure manuals. The Village Council will see records of all payments made every month.

Tax Collections

*Finding 2016-009*

*Condition:* The tax collections are not accounted for in the general ledger.

*Criteria:* The Accounting Procedures Manual for Local Units of Government, issued by the Michigan Department of Treasury requires the Tax Collection fund be included in the general ledger.

VILLAGE OF WEBBERVILLE -- INGHAM COUNTY  
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MATERIAL WEAKNESSES (continued)

*Cause:* This condition is due to the Village's negligence in fulfilling its responsibilities.

*Effect:* The effect of this finding is that the Village may not have an accurate accounting of the tax collection transactions.

*Recommendation:* We recommend that the Village establish a fiduciary fund in the accounting system and the tax collection activity by accounted for within the general ledger.

*Management's Response--Corrective Action Plan:* The Village of Webberville is in the process of establishing the Trust & Agency and Downtown Development Authorities into the computerized general ledger.

Noncompliance with Bond Ordinance

*Finding 2016-010*

*Condition:* As required, there were not quarterly transfers made to the bond and interest redemption fund in an amount equal to one-half of the next upcoming principal and interest payments; the Village did not maintain a debt service reserve fund with a balance of \$87,000; and the Village did not maintain a Repair, Replace, and Improvement Fund for the of the Water Supply and Wastewater Treatment Refunding Revenue Bonds, Series 2011.

*Criteria:* In accordance with Bond Ordinance #214 Section 11b adopted July 11, 2011 at the beginning of each quarter the Village is required to transfer an amount equal to one-half of the next upcoming principal and interest payment of the Refunding Bonds into the bond and interest redemption fund; the Village is required to maintain a debt service reserve fund with the balance of \$87,000; and the Village is required to maintain a Repair, Replace, and Improvement Fund.

*Cause:* This condition is due to the Village's negligence in fulfilling its responsibilities.

*Effect:* The effect of this finding is that the Village may not have had enough money set-aside to cover the semi-annual debt payments; the Village may not have the proper debt service reserves; and the Village may not have had the proper reserves for the Repair, Replace, and Improvement Fund for the Water Supply and Wastewater Treatment Refunding Revenue Bonds, Series 2011.

*Recommendation:* We recommend that the Village establish procedures to ensure that timely and proper bond and interest redemption fund transfers are made; establish a debt service reserve fund with the balance of \$87,000; and establish a Repair, Replace, and Improvement Fund for the Water Supply and Wastewater Treatment Refunding Revenue Bond, Series 2011.

*Management's Response--Corrective Action Plan:* The Village of Webberville is in the process of establishing and implementing policies and procedures. The Village of Webberville made the last Water/Wastewater Bond Payment in November 2018. The Village of Webberville does have a

VILLAGE OF WEBBERVILLE -- INGHAM COUNTY  
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MATERIAL WEAKNESSES (continued)

Sewer Bond still, which it does have an account with a reserve for that bond. The current Clerk/Treasurer took over without much experience and had never had a reserve for the Water/Wastewater Bond. With the hiring of the two new Deputies-the Clerk/Treasurer will have more time to review existing contracts, etc.

Unsupported Credit Card Transactions

*Finding 2016-011*

*Condition:* During the course of our audit, we found several instances of credit card transactions without supporting documentation (receipts).

*Criteria:* The auditing procedures manual issued by the Michigan Department of Treasury requires local units with a credit card policy to retain documentation (receipts) of credit card purchases as proof of the business purpose of the purchase.

*Cause:* This condition is due to the Village's negligence in fulfilling its responsibilities.

*Effect:* The effect of this deficiency exposes the Village to higher risk of misappropriation assets and/or unlawful expenditures.

*Recommendation:* We recommend the Village adhere to policies related to use of credit cards and the retention of documentation surrounding those purchases.

*Management's Response--Corrective Action Plan:* The Village of Webberville is in the process of reviewing, developing and implementing new policies and procedures.

Overtime Usage

*Finding 2016-012*

*Condition:* Numerous timesheets with overtime were not signed or approved by the Village President. In the case of the Clerk/Treasurer, 43 of 52 (82%) instances of time sheets included overtime and did not have the Village President's approval. Overall, the Clerk/Treasurer averaged over 60 hours of work performed for all 52 weeks of the fiscal year.

*Criteria:* The Village's Personnel Policy Manual states in section 4.04, "All overtime must be authorized by the Village President." If the Clerk/Treasurer actually worked 60 hours each week, which included unapproved overtime, it is an unreasonable requirement to place on one person. If the Clerk/Treasurer recorded and paid herself for these hours and did not work them, the activity then may be criminal in nature.

*Cause:* The Village Clerk/Treasurer was solely responsible for the payroll process. The Village Council did not ensure time sheets for all employees were being reviewed or that overtime was approved by the Village President. The Village Council did not monitor the overtime wages of

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MATERIAL WEAKNESSES (continued)

the Village employees as they continued to accumulate. The specific cost related to overtime were not known to the Village Council.

*Effect:* The Village may experience excessive, unapproved overtime increasing costs for payroll.

*Recommendation:* We recommend that the Village consistently adhere to its personnel policy manual. All instances of overtime should be reported and approved by the Village President. The Village Council should also implement additional payroll procedures so that no one person is performing the entire process. Additionally, the Village Council should develop standards to define what amounts of overtime are considered acceptable and under what circumstance. We also recommend the Village look into the past use of overtime to determine if it was used for legitimate purposes.

*Management's Response--Corrective Action Plan:*

STATUTORY NONCOMPLIANCE

Our examination revealed the following instances of noncompliance with State statutes:

Failure to File F-65 Reports, Act 51 Reports and Annual Audit Reports *Finding 2016-013*

*Condition:* For fiscal years 2016, 2017 and 2018, the Village failed to file the annual audit reports and Annual Local Unit Fiscal Report (F-65 Report) with the Michigan Department of Treasury. The Village also did not file Act 51 reports with the Michigan Department of Transportation (MDOT) for these same years.

*Criteria:* MCL 141.427 Every county, city, village, and township must file an Annual Local Unit Fiscal Report (Form F-65) with the State Treasurer in accordance with PA (PA) 71 of 1919, PA 2 of 1968 and PA 275 of 1980. The Form F-65 must be received by the Michigan Department of Treasury within 6 (six) months after the end of the local unit's fiscal year and must be filed annually regardless of the filing requirements for an audit. Failure to timely file Form F-65 may cause the unit's State Revenue Sharing money to be withheld (MCL 141.921).

According to MCL 247.665, the Village shall file with the director of the State Transportation Department, not more than 120 days after the end of its fiscal year, on forms provided by the director, a report showing the disposition of funds appropriated, apportioned, or allocated under this act to the Village (Act 51 Report).

*Cause:* This condition is a result of the Village's lack of accounting information and supporting documentation as well as the Village's negligence in fulfilling its responsibilities.

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STATUTORY NONCOMPLIANCE (continued)

*Effect:* The effect of this finding is that the Village is out of compliance with Treasury and MDOT requirements. State Revenue Sharing money of \$86,553 has been withheld and \$477,629 of MTF is being withheld. If this MDOT money was coupled with state and federal money, the village is short a significantly larger amount it could have had to fix its streets.

*Directive:* We direct that the Village file the required reports. The Michigan Department of Treasury is requiring annual audits until these deficiencies are rectified starting after fiscal year 2017. A copy of the audit report shall be filed with the State Treasurer within 6 months after the end of the fiscal year of a local unit.

*Management's Response--Corrective Action Plan:* The Village Clerk/Treasurer received training on the F 65 this current year and will have them filed in a timely manner. The Council will receive a copy of the F 65 in their Council Packet at the time of the audit being due.

Noncompliance with the Uniform Chart of Accounts

*Finding 2016-014*

*Condition:* The Village is not in compliance with the Uniform Chart of Accounts. Essentially every asset account, liability account, revenue account, and expense account does not comply with accounts listed in the Uniform Chart of Accounts. In addition, in the General fund, all expenditures were charged to activity 101 – Governing Body, misclassifying a large amount of the expenditures of the Village.

*Criteria:* MCL 141.421 states: “The state treasurer shall prescribe uniform charts of accounts for all local units of similar size, function, or service designed to fulfill the requirements of good accounting practices relating to general government... The official who by law or charter is charged with the responsibility for the financial affairs of the local unit shall insure that the local unit accounts are maintained and kept in accordance with the chart of accounts.”

*Cause:* This condition is due to the Village's negligence in fulfilling its responsibilities.

*Effect:* The Village is in noncompliance with State statute.

*Directive:* We direct to the Village to correct the account numbers to comply with the State statute above and the Uniform Chart of Accounts and to properly classify transactions when incurred.

*Management's Response--Corrective Action Plan:* The Village of Webberville is currently on a list with BS & A to convert to the Uniform Chart of Accounts. This subject has not been stressed with BS & A due to the delinquent audits and wanting the audits to be complete before too many changes are made.

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STATUTORY NONCOMPLIANCE (continued)

Village Council Minutes

*Finding 2016-015*

*Condition:* The Village was unable to provide us with the minutes for the Village Council meeting in September 2015 and the meeting in May 2016.

*Criteria:* According to MCL 15.269 of the Open Meetings Act, "Each public body shall keep minutes of each meeting showing the date, time, place, members present, members absent, any decisions made at a meeting open to the public, and the purpose or purposes for which a closed session is held."

*Cause:* The Village did not maintain the required documentation and this condition is due to the Village's negligence in fulfilling its responsibilities.

*Effect:* The Village is noncompliant with state statute. No formal record exists of any decisions made by the Village Council for September 2015 and May 2016.

*Directive:* We direct the Village Council to implement a procedure to ensure the minutes are taken at each meeting and that a policy is implemented to maintain the minutes in accordance with the Open Meeting Act.

*Management's Response-Corrective Action Plan:* The Village of Webberville is in the process of implementing new policies and procedures. All minutes go to Council for approval at the next Council meeting.

Adoption of Village General Appropriation Act

*Finding 2016-016*

*Condition:* The Village could not provide supporting documentation that it held a public hearing before passing its fiscal years 2016, 2017, 2018, or 2019 budgets.

*Criteria:* MCL 141.413 Section 3 states: "Each local unit shall hold such a public hearing prior to final adoption of its budget."

*Cause:* This condition is due to the Village's negligence in fulfilling its responsibilities.

*Effect:* The effect of this finding is that citizens may not have had an opportunity to publicly discuss the budget before it was passed.

*Directive:* We direct the Village to comply with the above statutory budgeting requirements and to schedule and hold hearings as required by law. The Village Council should take appropriate action to ensure that the budget is balanced and adopted in a timely manner as required by law, to



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STATUTORY NONCOMPLIANCE (continued)

make budget amendments as needed throughout the year, and to adopt a budget ordinance and/or policy to ensure future compliance.

*Management's Response-Corrective Action Plan:* The Village of Webberville will review and follow the statutory budgeting requirements in the future.

Public Notification of Hearing on Budgets

*Finding 2016-017*

*Condition:* The Village did not have documentation of giving notice of the budget hearing by publication in a newspaper of general circulation within the local unit of government at least six days prior to the hearing.

*Criteria:* According to MCL 141.412, notice of the public hearing on budgets, must be published in a newspaper of general circulation within the local unit of government at least six days prior to the hearing.

*Cause:* This condition is due to the Village's negligence in fulfilling its responsibilities.

*Effect:* The effect of this finding is that citizens may not have had proper notice to publicly discuss the budget before it was passed.

*Directive:* We direct the Village to consistently publish notices of the budget hearings in a newspaper at least six days prior to the hearing.

*Management's Response-Corrective Action Plan:* The Village of Webberville will publish notices in the local paper at least six days prior to the hearings.

Open Meetings Act Violation

*Finding 2016-018*

*Condition:* The Village did not give a reason for a closed session in October 2015.

*Criteria:* According to MCL 15.268, the public body may only hold closed session for certain purposes.

*Cause:* This condition is due to the Village's negligence in fulfilling its responsibilities.

*Effect:* The effect of this finding is that the Village may have gone into closed session for an improper reason and not given the public an opportunity to know of a part of Village business.

*Directive:* We direct the Village to follow the Open Meetings Act and consistently document the reason for any closed session in the future.

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STATUTORY NONCOMPLIANCE (continued)

*Management's Response-Corrective Action Plan:* The Village of Webberville will review the Open Meetings act and follow it accordingly in any future closed sessions.

Social Security Number Privacy Policy

*Finding 2016-019*

*Condition:* The Village has not adopted a Social Security Number Privacy Policy.

*Criteria:* According to the Social Security Privacy Act, PA 454 of 2004, MCL 445.84, Section 4 (1), beginning January 1, 2006, a person in the ordinary course of business who obtains or retains information about one or more social security numbers must create a policy that does at least all the following:

- (a) Ensures to the extent practicable, the confidentiality of the social security numbers.
- (b) Prohibits unlawful disclosure of social security numbers.
- (c) Limits who has access to information or documents that contain the social security numbers.
- (d) Describes how to properly dispose of documents that contain the social security numbers.
- (e) Establishes penalties for violation of the privacy policy.

Section 4, subsection 2, requires a person that creates a privacy policy under subsection 1 shall publish the privacy policy in an employee handbook, in a procedures manual, or in one or more similar documents, which may be made available electronically.

*Cause:* This condition is a result of the Village not being unaware of the statutory requirement.

*Effect:* The Village is in noncompliance with State statute. Social security numbers may be unlawfully disclosed as access to the information is not limited, disposal procedures are not formalized, and no penalties for violating the Act are established.

*Directive:* We direct the Village to prepare, adopt, and implement a social security number privacy policy.

*Management's Response-Corrective Action Plan:* The Village of Webberville is in the process of implementing new policies and procedures – a social security number policy will be included.

Expenditures in Excess of Appropriations

*Finding 2016-020*

*Condition:* Our examination of procedures used by the Village to adopt and maintain operating budgets for budgetary funds revealed the following instances of noncompliance with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act.

The Village's 2016 General Appropriations Act (budget) provided for expenditures of the General fund and Special Revenue funds to be controlled at the activity level. As detailed below, actual

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STATUTORY NONCOMPLIANCE (continued)

2016 expenditures exceeded the Village Council's approved budget allocations for several general and Special Revenue fund activities.

<u>Fund, Function, Activity</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
General Fund				
Public Safety				
Building Inspections	\$ 61,500	\$ 40,822	\$ 59,263	\$(18,441)
Public Works				
Department of Public Works	95,000	95,000	187,730	(92,730)
Community and Economic Development				
Economic Development	25,000	25,000	35,716	(10,716)
Recreation and Culture				
Parks and Recreation	-	-	153	(153)
Debt Service				
Principal	-	-	28,298	(28,298)
Interest	-	-	11,701	(11,701)
Other Financing Uses				
Transfers out	-	-	98,584	(98,584)
Municipal Street				
Debt Service				
Principal	-	-	8,910	(8,910)
Interest	-	-	3,496	(3,496)

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STATUTORY NONCOMPLIANCE (continued)

*Criteria:* The expenditures of funds in excess of appropriations are contrary to the provisions of Section 17 of Public Act 2 of 1968.

*Cause:* The Village Council did not adjust the budget sufficiently to avoid the overages.

*Effect:* The Village is in noncompliance with State statute.

*Directive:* We direct the Village Council to develop budgetary control procedures which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof.

*Management's Response-Corrective Action Plan:* The Village of Webberville will do quarterly budget amendments and more as needed to ensure that the expenditures are not in excess of the final budget.

Unlawful Expenditures

*Finding 2016-021*

*Condition:* During the course of our audit, we found several instances of expenditures which are considered to be unlawful under State statute. 1) The Village pays the water bills for the food bank located 119 W Grand River, 2) the Village pays the electric bills for the food bank located 119 W Grand River.

*Criteria:* Contributions or appropriations which are not specifically authorized by the constitution or State statute cannot be authorized or issued regardless of the worthiness of the cause. Examples of such prohibited expenditures where there is no contract for specific services to lawful functions of the local unit are as follows:

- Contributions to churches, veterans, nonprofit organizations.
- Donations to a private ambulance or EMS service not under contract with the governmental unit.
- Donations, including use of property or equipment to Little League, Scouts, Big Brother/Sisters.

*Cause:* This condition is due to the Village's negligence in fulfilling its responsibilities or the lack of knowledge of restrictions related to local government spending.

*Effect:* The effect of this finding is that the Village is in violation of the law.

*Recommendation:* We recommend that the Village discontinue appropriating and expending funds contrary to constitutional provisions or seek legal counsel about appropriately expending funds for the health and welfare of the community.

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STATUTORY NONCOMPLIANCE (continued)

*Management's Response--Corrective Action Plan:* The Village of Webberville will contact the Village Attorney to inquire about the handling of this situation.

OTHER MATTERS

Equipment Rental Charges

*Finding 2016-022*

*Condition:* As required, the Village did not prepare and calculate equipment rental charges in a timely manner.

*Criteria:* Equipment rental charges should be calculated and posted in a timely manner according to the Michigan Department of Transportation guidelines.

*Cause:* This condition is a result of the Village's limited resources and the small size of its accounting staff.

*Effect:* The effect of this finding is that the Village did not charge the funds for equipment costs in a timely manner, so the funds were misstated.

*Recommendation:* We recommend that the Village establish a procedure and implement it regarding timely calculation and posting of equipment rental charges.

*Management's Response--Corrective Action Plan:* The Village of Webberville is in the process of developing and implementing new policies and procedures.

