



ANNUAL FINANCIAL REPORT

YEAR ENDED MARCH 31, 2020

GABRIDGE & CO

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Webberville, Michigan (the "Village") as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village, as of March 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The combining and individual fund financial statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2020 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Village's 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's internal control over financial reporting and compliance.

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, Michigan
August 28, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Village of Webberville
Management's Discussion and Analysis
March 31, 2020**

As management of the Village of Webberville, Michigan (The "Village" or "government") we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended March 31, 2020. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets and deferred outflows of the Village exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$5,704,452 (net position). Of this amount, \$1,221,176 represents unrestricted net position, which may be used to meet the Village's ongoing obligations to citizens and creditors.
- The Village's total revenues were \$2,676,541 and total expenses were \$1,601,409 leading to an overall increase in net position of \$1,075,132 during the year.
- At the close of the current fiscal year, the Village's governmental funds reported combined fund balances of \$97,522, a decrease of \$110,178 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$121,929, or approximately 14.7% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the Village's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus,

revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., depreciation of capital assets and changes in the Village's net pension liability).

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

The government-wide financial statements include not only the Village itself (known as the primary government), but also a legally separate Downtown Development Authority ("DDA") for which the Village is financially accountable. The DDA is reported in a separate column within the government-wide financial statements of the Village.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

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

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

The Village maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the major street fund, and the municipal street fund, which are considered to be major funds. Data from the local street fund and the building authority fund is presented as a separate column as they are considered nonmajor funds.

The Village adopts an annual appropriated budget for the general fund and each special revenue fund. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

Proprietary Funds. The Village maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprises funds to account for its water and sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Village's various functions.

The Village uses internal service funds to account for equipment and allocating the cost to the funds that are using the resources. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

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

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Village's budgetary comparison schedules and the Village's pension plan schedules.

This report also presents other supplementary information which includes the nonmajor fund combining and individual statements. The combining statements are presented immediately following the required supplementary information on pensions.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Village, assets and deferred outflows exceeded liabilities and deferred inflows by \$5,704,452, at the close of the most recent fiscal year.

Village of Webberville's Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
ASSETS						
<i>Current Assets</i>						
Cash and Cash Equivalents	\$ 734,175	\$ 653,016	\$ 1,921,907	\$ 1,684,120	\$ 2,656,082	\$ 2,337,136
Accounts Receivable	10,175	4,557	140,881	80,266	151,056	84,823
Due from Other Governments	815,076	50,349	-	48,957	815,076	92,306
Prepays	1,123	-	-	-	1,123	-
Total Current Assets	1,560,549	707,922	2,062,788	1,813,343	3,623,337	2,521,265
<i>Noncurrent Assets</i>						
Capital Assets Not Being Depreciated	80,564	80,564	71,117	71,117	151,681	151,681
Capital Assets Being Depreciated, Net	626,498	663,118	3,493,043	3,421,345	4,119,541	4,084,461
Total Assets	2,267,611	1,451,604	5,626,948	5,305,803	7,894,559	6,757,407
DEFERRED OUTFLOWS OF RESOURCES						
Pension	16,066	57,067	24,098	-	40,164	57,067
Total Deferred Outflows of Resources	16,066	57,067	24,098	-	40,164	57,067
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	156,400	58,916	27,547	11,153	183,947	70,069
Accrued Liabilities	15,232	56,488	6,006	134,560	21,238	191,048
Due to Other Governments	467,589	741,356	3,713	168,816	471,302	910,172
Current Portion of Long-term Debt	82,709	110,290	45,297	93,372	128,006	203,662
Internal Balances	3,526	3,527	(3,526)	47,254	-	50,781
Total Current Liabilities	725,456	970,577	79,037	455,155	804,493	1,425,732
<i>Noncurrent Liabilities</i>						
Compensated Absences	2,791	-	3,158	-	5,949	-
Long-term Debt	1,358,253	1,440,962	36,952	82,249	1,395,205	1,523,211
Net Pension Liability	7,530	49,272	11,296	-	18,826	49,272
Total Liabilities	2,094,030	2,460,811	130,443	537,404	2,224,473	2,998,215
DEFERRED INFLOWS OF RESOURCES						
Pension Related Deferred Inflows	2,320	-	3,478	-	5,798	-
Total Deferred Inflows of Resources	2,320	-	3,478	-	5,798	-
NET POSITION						
Net Investment in Capital Assets	707,062	716,101	3,564,160	3,442,460	4,271,222	4,158,561
Restricted	212,054	48,848	-	-	212,054	48,848
Unrestricted	(731,789)	(1,717,089)	1,952,965	1,325,939	1,221,176	(391,150)
Total Net Position	\$ 187,327	\$ (952,140)	\$ 5,517,125	\$ 4,768,399	\$ 5,704,452	\$ 3,816,259

The largest portion of the Village's net position, \$4,271,222, reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The Village uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village's net position, \$212,054, represents resources that are subject to external restrictions on how they may be used. The remaining is unrestricted net position of \$1,221,176.

Village of Webberville's Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues						
Charges for Services	\$ 136,234	\$ 120,453	\$ 949,134	\$ 805,808	\$ 1,085,368	\$ 926,261
Operating Grants and Contributions	741,476	-	60,000	-	801,476	-
General Revenues						
Taxes	536,755	649,470	-	-	536,755	649,470
State Sources	245,300	60,359	-	-	245,300	60,359
Interest Income	2,389	923	5,253	-	7,642	923
Total Revenues	1,662,154	831,205	1,014,387	805,808	2,676,541	1,637,013
Expenses						
General Government	522,031	270,538	-	-	522,031	270,538
Public Safety	139,473	331,244	-	-	139,473	331,244
Public Works	197,581	177,926	-	-	197,581	177,926
Community and Economic Development	79,836	16,244	-	-	79,836	16,244
Recreation and Culture	1,947	566	-	-	1,947	566
Interest on Long-term Debt	47,704	50,325	-	-	47,704	50,325
Sewer Fund	-	-	255,950	249,749	255,950	249,749
Water Fund	-	-	356,887	274,531	356,887	274,531
Total Expenses	988,572	846,843	612,837	524,280	1,601,409	1,371,123
Changes in Net Position Before Transfers	673,582	(15,638)	401,550	281,528	1,075,132	265,890
Transfers In (Out)	-	1,117	-	(30,000)	-	(28,883)
Changes in Net Position	673,582	(14,521)	401,550	251,528	1,075,132	237,007
<i>Net Position at the Beginning of Period (Restated)</i>	<i>(486,255)</i>	<i>(937,619)</i>	<i>5,115,575</i>	<i>4,516,871</i>	<i>4,629,320</i>	<i>3,579,252</i>
Net Position at the End of Period	\$ 187,327	\$ (952,140)	\$ 5,517,125	\$ 4,768,399	\$ 5,704,452	\$ 3,816,259

Governmental Activities. Governmental activities increased the Village's net position by \$673,582. Following are some of the significant reasons for the increase in net position:

- The Village was out of compliance with the Michigan Department of Treasury and the Michigan Department of Transportation during the prior year and, accordingly, had state shared revenues suspended. Those prior year state amounts, in addition to the current year state sources, were reported as revenues in the current year because the Village was brought into compliance with its financial reporting and other compliance requirements. This led to the \$741,476 increase in operating grants and contributions (major and local street Act 51 revenues) and the \$184,941 increase of state source revenues (unrestricted state revenue sharing) during the current year.
- For the reasons stated above, due from other governments increased \$764,727 as the state revenues were collected by the Village subsequent to the end of its fiscal year close.
- Contracted public safety expenses decreased \$133,001 during the current year as the Sheriff's contract with the County incurred no charges for the two quarters prior to renewing in January 2020 (through 2023).
- General government expenses increased during the current year largely due to increased professional and contractual costs incurred by the Village.
- Various assets and liabilities showed significant changes, much of which is related to a significant correction of prior balances. See Note 12 for a summary showing the impact that the restatement had on the Village's assets, liabilities, and net position.

Business-type Activities. Business-type activities increased the Village's net position by \$401,550. Following are some of the significant reasons for the increase in net position:

- Water charges for services increased by \$69,175 from the prior year while sewer charges for services increased by \$73,043. This is the primary reason, along with a \$60,000 reimbursement from local sources, that revenues increased by \$208,579 during the year.
- The water fund had an increase in wages, supplies, and contractual expenses of \$85,628 during the year leading the overall increase in business-type expenses of \$88,557.
- Various assets and liabilities showed significant changes, much of which is related to a significant correction of prior balances. See Note 12 for a summary showing the impact that the restatement had on the Village's assets, liabilities, and net position.

Financial Analysis of Governmental Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Village itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Village's Council.

At March 31, 2020, the Village's governmental funds reported combined fund balances of \$97,522, a decrease of \$110,178 in comparison with the prior year. The majority of the combined fund balance was restricted for particular purposes, \$212,054, or nonspendable, \$1,123. The remaining fund balance was deficit unassigned fund balance of \$(115,655).

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the general fund was \$121,929. The fund balance of the Village's general fund decreased by \$91,125 during the current fiscal year. The Village Council monitors the expenditures of the general fund closely to ensure that spending does not exceed the Village's available resources. The primary reasons for the decrease in fund balance were described in an earlier section of this report.

The major street fund, a major fund, had a \$2,373 increase in fund balance during the current fiscal year which put the overall fund balance at a deficit of \$(152,723). The Village did report \$452,441 as a receivable from the State, however, it was offset with \$452,441 of deferred inflows as the amount due was collected beyond 60 days after the close of the year. Accordingly, these resources will be recognized as revenue during FYE 3/31/2021 and are expected to eliminate the deficit fund balance.

The municipal street fund, a major fund, had a \$5,099 increase in fund balance during the current fiscal year which put the overall fund balance at \$208,733.

Proprietary Funds. The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

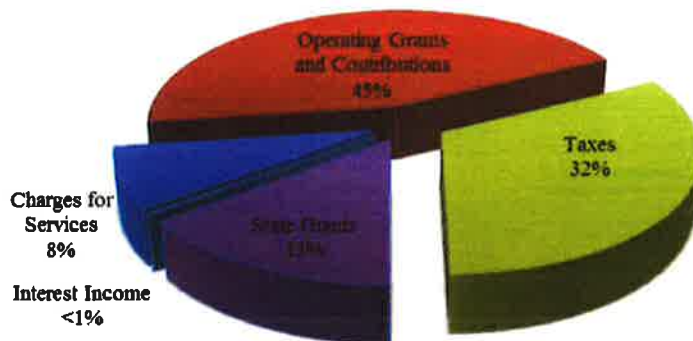
Unrestricted net position at the end of the year was \$1,182,961 for the sewer fund and \$770,004 for the water fund. The change in net position was an increase of \$268,234 for the sewer fund and an increase of \$133,316 for the water fund. A summary of the changes in the water and sewer funds net position can be found in the business-type activities paragraph found earlier in this report.

The equipment fund, the Village's sole internal service fund, increased by \$22,446 for an overall net position balance of \$134,152.

Governmental Activities

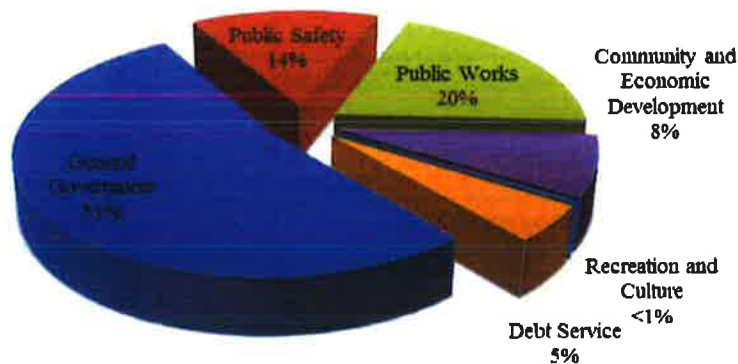
The following chart summarizes the revenue sources for the governmental activities of the Village for the most recent fiscal year-end.

Governmental Activities Revenues



The following chart summarizes the expenses for the governmental activities of the Village for the most recent fiscal year-end.

Governmental Activities Expenses



General Fund Budgetary Highlights

Original budget compared to final budget. There was one significant budget amendment to the original estimated revenues or appropriated expenditures during the year: property tax revenue had an original budget of \$570,806 with an amended final budget to \$668,380 for the current year. There were no other significant amendments made.

Final budget compared to actual results. The Village had the following expenditures in excess of the amounts appropriated as of March 31, 2020:

	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
General Government	\$ 442,283	\$ 499,579	\$ (57,296)
Debt Service, Principal	-	44,925	(44,925)
Debt Service, Interest	-	25,455	(25,455)

Capital Assets and Debt Administration

Capital assets

The Village's investment in capital assets for its governmental and business-type activities as of March 31, 2020 amounts to \$4,271,222 (net of accumulated depreciation). This was an increase of \$35,080 compared to the prior year as additions exceeded depreciation. This investment in capital assets includes land, buildings and improvements, machinery, equipment, vehicles, and water and sewer infrastructure. More detailed information about the Village's capital assets can be found in Note 4.

Long-term Debt

As described in Note 5 to the financial statements, the Village had \$1,523,211 in long-term debt at the end of the fiscal year. The Village issued no new long-term debt during the year and paid scheduled principal payments of \$203,662. The Village is under its legal debt limit as of year-end.

Economic Condition and Outlook

Management estimates that \$834,300 of revenues will be available for appropriation in the general fund in the upcoming year. The Village continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2021, the Village plans again to use current revenues to provide essential services and to maintain the Village's financial reserves at similar levels. Property tax revenues are expected to change minimally reflecting fairly stable property values. Additionally, management and the Village Council are currently working to determine the significance that the COVID-19 Pandemic will have on the Village's upcoming revenues and expenditures.

Contacting the Village

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

Village of Webberville
115 South Main Street
Webberville, Michigan 48892

BASIC FINANCIAL STATEMENTS

**Village of Webberville
Statement of Net Position
March 31, 2020**

	Primary Government			Component Unit - DDA
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 734,175	\$ 1,921,907	\$ 2,656,082	\$ 1,197,381
Accounts Receivable	10,175	140,881	151,056	--
Due from State	815,076	--	815,076	--
Due from Primary Government	--	--	--	467,589
Prepays	1,123	--	1,123	--
Total Current Assets	1,560,549	2,062,788	3,623,337	1,664,970
<i>Noncurrent Assets</i>				
Capital Assets not being Depreciated	80,564	71,117	151,681	726,057
Capital Assets being Depreciated, net	626,498	3,493,043	4,119,541	28,650
Total Assets	2,267,611	5,626,948	7,894,559	2,419,677
DEFERRED OUTFLOWS OF RESOURCES				
Pension	16,066	24,098	40,164	--
Total Deferred Outflows of Resources	16,066	24,098	40,164	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	156,400	27,547	183,947	--
Payroll Related Liabilities	9,723	9,719	19,442	--
Due to Component Unit	467,589	--	467,589	--
Accrued Interest Payable	5,509	--	5,509	1,891
Current Portion of Long-term Debt	82,709	45,297	128,006	101,500
Internal Balances	3,526	(3,526)	--	--
Total Current Liabilities	725,456	79,037	804,493	103,391
<i>Noncurrent Liabilities</i>				
Accrued Compensated Absences	2,791	3,158	5,949	--
Long-term Debt	1,358,253	36,952	1,395,205	304,500
Net Pension Liability	7,530	11,296	18,826	--
Total Liabilities	2,094,030	130,443	2,224,473	407,891
DEFERRED INFLOWS OF RESOURCES				
Pension	2,320	3,478	5,798	--
Total Deferred Inflows of Resources	2,320	3,478	5,798	--
NET POSITION				
Investment in Capital Assets	707,062	3,564,160	4,271,222	754,707
<i>Restricted for:</i>				
Municipal Streets	208,733	--	208,733	--
Building Authority	3,321	--	3,321	--
<i>Unrestricted</i>	(731,789)	1,952,965	1,221,176	1,257,079
Total Net Position	\$ 187,327	\$ 5,517,125	\$ 5,704,452	\$ 2,011,786

The Notes to the Financial Statements are an integral part of these Financial Statements

**Village of Webberville
Statement of Activities
For the Year Ended March 31, 2020**

Functions/Programs	Program Revenues			Net (Expense) Revenue		Component Unit - DDA	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Primary Government Business-type Activities
Primary Government							
Governmental Activities:							
General Government	\$ 522,031	\$ 135,745	\$ 8,071	\$ -	\$ (378,215)	\$ -	\$ (378,215)
Public Safety	139,473	--	--	--	(139,473)	--	(139,473)
Public Works	197,581	489	728,405	--	531,313	--	531,313
Community and Economic Development	79,836	--	5,000	--	(74,836)	--	(74,836)
Recreation and Culture	1,947	--	--	--	(1,947)	--	(1,947)
Interest on Long-term Debt	47,704	--	--	--	(47,704)	--	(47,704)
Total Governmental Activities	988,572	136,234	741,476	--	(110,862)	--	(110,862)
Business-type Activities:							
Sewer Fund	255,950	490,785	30,000	--	264,835	264,835	264,835
Water Fund	356,887	458,349	30,000	--	131,462	131,462	131,462
Total Business-type Activities	612,837	949,134	60,000	--	396,297	396,297	396,297
Total Primary Government	\$ 1,601,409	\$ 1,085,368	\$ 801,476	\$ -	\$ (110,862)	\$ 396,297	\$ 285,435
Component Units							
Downtown Development Authority	\$ 135,852	--	--	--	--	--	(135,852)
Total Component Units	\$ 135,852	\$ -	\$ -	\$ -	\$ -	\$ -	(135,852)
General Purpose Revenues:							
Property Taxes					536,755	--	536,755
State Sources					245,300	--	245,300
Interest Income					2,389	5,253	7,642
Total General Revenues and Transfers					784,444	5,253	789,697
Change in Net Position					673,582	401,550	1,075,132
Net Position at Beginning of Period (Restated, Note 12)					(486,255)	5,115,575	4,629,320
Net Position at End of Period					\$ 187,327	\$ 5,517,125	\$ 5,704,452

The Notes to the Financial Statements are an integral part of these Financial Statements

**Village of Webberville
Balance Sheet
Governmental Funds
March 31, 2020**

	<u>Special Revenue</u>				<u>Total Governmental Funds</u>
	<u>General</u>	<u>Major Street Fund</u>	<u>Municipal Street Fund</u>	<u>Other Governmental Funds</u>	
ASSETS					
Cash and Cash Equivalents	\$ 536,978	\$ 19,362	\$ 75,984	\$ 11,087	\$ 643,411
Accounts Receivable	10,175	--	--	--	10,175
Due from State	213,692	452,441	--	148,943	815,076
Prepays	1,123	--	--	--	1,123
Due from Other Funds	257,036	--	247,382	--	504,418
Total Assets	\$ 1,019,004	\$ 471,803	\$ 323,366	\$ 160,030	\$ 1,974,203
LIABILITIES					
Accounts Payable	\$ 152,042	\$ 2,314	\$ --	\$ 2,044	\$ 156,400
Payroll Related Liabilities	6,405	1,884	--	1,434	9,723
Due to Component Unit	352,956	--	114,633	--	467,589
Due to Other Funds	250,908	167,887	--	89,149	507,944
Total Liabilities	762,311	172,085	114,633	92,627	1,141,656
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	133,641	452,441	--	148,943	735,025
Total Liabilities and Deferred Inflows of Resources	895,952	624,526	114,633	241,570	1,876,681
FUND BALANCE					
Nonspendable	1,123	--	--	--	1,123
Restricted	--	--	208,733	3,321	212,054
Unassigned	121,929	(152,723)	--	(84,861)	(115,655)
Total Fund Balance	123,052	(152,723)	208,733	(81,540)	97,522
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,019,004	\$ 471,803	\$ 323,366	\$ 160,030	\$ 1,974,203

The Notes to the Financial Statements are an integral part of these Financial Statements

Village of Webberville
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
March 31, 2020

Total Fund Balance - Governmental Funds	\$	97,522
Net position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements.		134,152
General government capital assets of \$1,642,391, net of accumulated depreciation of \$978,717 are not financial resources and, accordingly, are not reported in the funds.		663,674
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(1,440,962)
In the statement of net position, interest is accrued on outstanding bonds, whereas in the governmental funds, the interest expenditure is reported when due.		(5,509)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(2,791)
Unavailable revenues are not available to pay current expenditures and, therefore, are deferred inflows of resources in the funds.		735,025
The net pension liability, and pension related deferrals, is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.		6,216
Total Net Position - Governmental Activities	\$	<u>187,327</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Village of Webberville
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended March 31, 2020

	Special Revenue				Total Governmental Funds
	General	Major Street Fund	Municipal Street Fund	Other Governmental Funds	
Revenues					
Property Taxes	\$ 471,064	--	\$ 65,691	\$ --	\$ 536,755
Licenses and Permits	41,220	--	--	--	41,220
State Sources	124,604	94,043	--	28,104	246,751
Charges for Services	80,645	--	--	--	80,645
Interest Income	1,259	688	66	286	2,299
Other Revenue	18,880	305	--	184	19,369
Total Revenues	737,672	95,036	65,757	28,574	927,039
Expenditures					
General Government	499,579	--	--	--	499,579
Public Safety	139,473	--	--	--	139,473
Public Works	37,582	92,663	1,465	55,099	186,809
Community and Economic Development	79,836	--	--	--	79,836
Recreation and Culture	1,947	--	--	--	1,947
Debt Service, Principal	44,925	--	37,784	--	82,709
Debt Service, Interest	25,455	--	21,409	--	46,864
Total Expenditures	828,797	92,663	60,658	55,099	1,037,217
Excess of Revenues Over (Under) Expenditures	(91,125)	2,373	5,099	(26,525)	(110,178)
Net Change in Fund Balance	(91,125)	2,373	5,099	(26,525)	(110,178)
<i>Fund Balance at Beginning of Period (Restated, Note 12)</i>	214,177	(155,096)	203,634	(55,015)	207,700
Fund Balance at End of Period	\$ 123,052	\$ (152,723)	\$ 208,733	\$ (81,540)	\$ 97,522

The Notes to the Financial Statements are an integral part of these Financial Statements

Village of Webberville
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended March 31, 2020

Total Net Change in Fund Balances - Governmental Funds	\$ (110,178)
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements.	22,446
Governmental fund report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is depreciation expense of \$57,836.	(57,836)
Current year long-term debt principal payments on long-term debt are expenditures in the fund financial statements but are reductions in long-term debt in the government-wide financial statements.	82,709
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds. This represents the change in accrued interest during the year.	288
Change to compensated absences are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.	(2,791)
Receivables are recorded in the statement of activities as revenues when executed; they are not reported in the funds until collected or collectible within 60 days after year-end.	735,025
The statement of activities reports changes to net pension liability and pension related deferrals as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions.	3,919
Changes in Net Position - Governmental Activities	\$ <u>673,582</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Village of Webberville
Statement of Net Position
Proprietary Funds
March 31, 2020**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities Internal Service Fund</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total Enterprise Funds</u>	
ASSETS				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 1,131,373	\$ 790,534	\$ 1,921,907	\$ 90,764
Accounts Receivable	76,426	64,455	140,881	--
Due from Other Funds	--	22,998	22,998	--
Total Current Assets	1,207,799	877,987	2,085,786	90,764
<i>Noncurrent Assets</i>				
Capital Assets not being Depreciated	21,657	49,460	71,117	--
Capital Assets being Depreciated, net	1,834,217	1,658,826	3,493,043	43,388
Total Assets	3,063,673	2,586,273	5,649,946	134,152
DEFERRED OUTFLOWS OF RESOURCES				
Pension	12,049	12,049	24,098	--
Total Deferred Outflows of Resources	12,049	12,049	24,098	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	3,534	24,013	27,547	--
Payroll Related Liabilities	4,917	4,802	9,719	--
Current Portion of Long-term Debt	--	45,297	45,297	--
Due to Other Funds	19,472	--	19,472	--
Total Current Liabilities	27,923	74,112	102,035	--
<i>Noncurrent Liabilities</i>				
Accrued Compensated Absences	1,577	1,581	3,158	--
Long-term Debt	--	36,952	36,952	--
Net Pension Liability	5,648	5,648	11,296	--
Total Liabilities	35,148	118,293	153,441	--
DEFERRED INFLOWS OF RESOURCES				
Pension	1,739	1,739	3,478	--
Total Deferred Inflows of Resources	1,739	1,739	3,478	--
NET POSITION				
Investment in Capital Assets	1,855,874	1,708,286	3,564,160	43,388
<i>Unrestricted</i>	1,182,961	770,004	1,952,965	90,764
Total Net Position	\$ 3,038,835	\$ 2,478,290	\$ 5,517,125	\$ 134,152

The Notes to the Financial Statements are an integral part of these Financial Statements

Village of Webberville
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended March 31, 2020

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities Internal Service Fund
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total Enterprise Funds</u>	
Operating Revenues				
Charges for Services	\$ 490,315	\$ 457,712	\$ 948,027	\$ 83,099
Total Operating Revenues	<u>490,315</u>	<u>457,712</u>	<u>948,027</u>	<u>83,099</u>
Operating Expenses				
Wages and Fringes	125,345	126,159	251,504	--
Operating Expenses	14,960	46,698	61,658	--
Repairs and Maintenance	--	--	--	14,000
Contracted Services	28,199	83,508	111,707	--
Utilities	5,655	15,196	20,851	--
Insurance	756	1,372	2,128	5,526
Depreciation	80,410	78,364	158,774	41,059
Total Operating Expenses	<u>255,325</u>	<u>351,297</u>	<u>606,622</u>	<u>60,585</u>
Operating Income (Loss)	<u>234,990</u>	<u>106,415</u>	<u>341,405</u>	<u>22,514</u>
Non-Operating Revenues (Expenses)				
Other Revenue	30,470	30,637	61,107	970
Interest Income	3,399	1,854	5,253	90
Interest Expense	(625)	(5,590)	(6,215)	(1,128)
Net Non-Operating Revenues (Expenses)	<u>33,244</u>	<u>26,901</u>	<u>60,145</u>	<u>(68)</u>
Change In Net Position	268,234	133,316	401,550	22,446
<i>Net Position at Beginning of Period (Restated, Note 12)</i>	2,770,601	2,344,974	5,115,575	111,706
Net Position at End of Period	\$ 3,038,835	\$ 2,478,290	\$ 5,517,125	\$ 134,152

The Notes to the Financial Statements are an integral part of these Financial Statements

Village of Webberville
Statement of Cash Flows
Proprietary Funds
For the Year Ended March 31, 2020

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total Enterprise Funds</u>	Internal Service Fund
Cash Flows from Operating Activities				
Cash received from charges for service	\$ 429,399	\$ 402,901	\$ 832,300	\$ -
Cash received from interfund services provided	-	-	-	83,099
Cash payments to employees for services and fringe benefits	(82,354)	(93,752)	(176,106)	1,434
Cash Payments to Suppliers for Good and Services	(127,281)	(211,022)	(338,303)	(19,526)
Net Cash Provided by Operating Activities	<u>219,764</u>	<u>98,127</u>	<u>317,891</u>	<u>65,007</u>
Cash Flows from Non-capital Financing Activities				
Non-operating revenue	30,470	30,637	61,107	970
Interfund receivables/payables	(1,823)	-	(1,823)	-
Net Cash Provided by Non-capital Financing Activities	<u>28,647</u>	<u>30,637</u>	<u>59,284</u>	<u>970</u>
Cash Flows from Capital and Related Financing Activities				
Change in capital assets	(46,813)	(14,853)	(61,666)	-
Change in long-term debt	(34,000)	(43,372)	(77,372)	(27,581)
Interest paid on long-term debt	(13)	(5,590)	(5,603)	(1,128)
Net Cash Used by Capital and Related Financing Activities	<u>(80,826)</u>	<u>(63,815)</u>	<u>(144,641)</u>	<u>(28,709)</u>
Cash Flows from Investing Activities				
Interest Income	3,399	1,854	5,253	90
Net Cash Provided by Investing Activities	<u>3,399</u>	<u>1,854</u>	<u>5,253</u>	<u>90</u>
Net Increase in Cash and Cash Equivalents	170,984	66,803	237,787	37,358
<i>Cash and Cash Equivalents - Beginning of Year</i>	960,389	723,731	1,684,120	53,406
Cash and Cash Equivalents - End of Year	<u>\$ 1,131,373</u>	<u>\$ 790,534</u>	<u>\$ 1,921,907</u>	<u>\$ 90,764</u>
Reconciliation of Operating Income to				
Net Cash Provided by Operating Activities				
Operating Income	\$ 234,990	\$ 106,415	\$ 341,405	\$ 22,514
Adjustments to Reconcile Operating Income to				
Net Cash Provided by Operating Activities				
Depreciation expense	80,410	78,364	158,774	41,059
Changes in Assets and Liabilities				
Accounts Receivable	(60,916)	(54,811)	(115,727)	-
Accounts Payable	2,161	22,912	25,073	-
Payroll and Other Related Liabilities	44,354	33,766	78,120	1,434
Due to State	(8,437)	(10,838)	(19,275)	-
Due to Federal Government	(71,435)	(76,322)	(147,757)	-
Accrued Compensated Absences	1,577	1,581	3,158	-
Net Pension Liability and Related Deferrals	(2,940)	(2,940)	(5,880)	-
Net Cash Provided by Operating Activities	<u>\$ 219,764</u>	<u>\$ 98,127</u>	<u>\$ 317,891</u>	<u>\$ 65,007</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

Village of Webberville

Notes to the Financial Statements

Note 1 - 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 1,272 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

Downtown Development Authority

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

Webberville Building Authority

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.

Village of Webberville

Notes to the Financial Statements

Government-wide and Fund Financial Statements

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

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

Village of Webberville

Notes to the Financial Statements

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.

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 accounted for and reported in another fund.

The **major street fund** accounts for the revenue received from the State of Michigan under Act 51 which is specifically earmarked for construction and maintenance of roads designated as major streets in Village.

The **municipal street fund** accounts for tax revenues that are restricted for street-oriented operations.

The Village reports the following major enterprise funds:

The **water fund** accounts for the cost of providing water services to Village residents. Revenues are primarily from charges to customers for water usage. These revenues are used to pay operating costs and principal and interest on long-term debt.

The **sewer fund** accounts for the cost of collecting and treating wastewater. Revenues are primarily from service charges to customers. These revenues are used to operating costs.

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.

Additionally, the government reports **special revenue funds**, which are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

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.

Village of Webberville

Notes to the Financial Statements

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.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

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.

Accounts Receivable

Accounts receivable are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. There was no amount reported that is expected to be uncollectible at year-end.

Prepays

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

Interfund 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

Village of Webberville

Notes to the Financial Statements

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 acquisition 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>Years</u>
Buildings and Building Improvements	20 - 40
Vehicles	3 - 10
Equipment	3 - 10
Infrastructure	20 - 40
Water and Sewer System	20 - 75

Compensated Absences

Under terms of Village policies, eligible employees are granted paid time off in varying amounts based on length of service. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have maturity, for example, as a result of employee resignations and retirements.

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.

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

Village of Webberville

Notes to the Financial Statements

Pension

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

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 or inflows 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. The Village reports both deferred outflows and inflows of resources related to the defined benefit pension plan in its government-wide and its enterprise fund financial statements. 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. Additionally, 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.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted

Village of Webberville

Notes to the Financial Statements

fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Village Council can designate others to assign fund balance. The Village Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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 general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, the unassigned classification is used only to report a deficit.

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.

Village of Webberville

Notes to the Financial Statements

Property Tax Revenue Recognition

The Village's 2019 ad valorem tax was levied and collectible on July 1, 2019. 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 2019 state taxable valuation amounted to \$44,956,058. There were 11.6081 mills for general operations and 1.5919 mills for street improvements. These tax revenues were recognized in the respective general and municipal street funds.

Note 2 - Stewardship, Compliance, and Accountability

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The general fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The proposed operating budget is submitted to the Village Council for the fiscal year commencing the following April 1.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to the first day of the following fiscal year, the budget is legally enacted through passage of a resolution.
4. The legal level of budgetary control is at the activity level for the general fund and the functional level for special revenue funds.
5. Supplemental appropriations that amend total expenditures for any department require Village Council resolution.
6. Budget appropriations lapse at year-end.
7. Adoption and amendments of all budgets used by the Village are governed by Public Act 621, which was followed as of year-end. Expenditures may not exceed appropriations.

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.

Village of Webberville

Notes to the Financial Statements

The Village had the following expenditures in excess of the amounts appropriated during the year ended March 31, 2020:

	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
General Government	\$ 442,283	\$ 499,579	\$ (57,296)
Debt Service, Principal	-	44,925	(44,925)
Debt Service, Interest	-	25,455	(25,455)

Net Position/Fund Balance Deficits

The major street fund and local street fund had fund balance deficits of \$152,723 and \$84,861, respectively. Governmental activities had a deficit unrestricted net position of \$731,789.

Noncompliance 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.

Note 3 - Cash and Cash Equivalents

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 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.

Village of Webberville

Notes to the Financial Statements

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

	Primary Government	Component Unit - DDA	Total
Statement of Net Position			
Cash and Cash Equivalents	\$ 2,656,082	\$ 1,197,381	\$ 3,853,463
Cash and Cash Equivalents			
Checking accounts			\$ 2,969,829
Savings accounts			273,323
Money market accounts			402,359
Certificates of deposits (24 month maturity)			207,952
Total Cash and Cash Equivalents			\$ 3,853,463

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Village's deposits might not be returned. State law does not require, and the Village does not have, a policy for deposit custodial credit risk. As of year-end, \$2,875,668 of the Villages bank balance of \$3,875,668 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Village believes it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Village of Webberville

Notes to the Financial Statements

Note 4 - Capital Assets

Capital asset activities for governmental activities for the year ended March 31, 2020 were as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital Assets not Being Depreciated:				
Land	\$ 80,564	\$ -	\$ -	\$ 80,564
Capital Assets Being Depreciated:				
Motor Pool Equipment	377,557	-	-	377,557
Buildings and Building Improvements	933,406	-	-	933,406
Office Equipment	60,358	-	-	60,358
DPW Equipment	77,152	-	-	77,152
Infrastructure	490,911	-	-	490,911
<i>Subtotal</i>	<u>1,939,384</u>	<u>-</u>	<u>-</u>	<u>1,939,384</u>
Less Accumulated Depreciation for:				
Motor Pool Equipment	(293,110)	(41,059)	-	(334,169)
Buildings and Building Improvements	(539,123)	(28,578)	-	(567,701)
Office Equipment	(57,470)	(1,840)	-	(59,310)
DPW Equipment	(61,634)	(3,357)	-	(64,991)
Infrastructure	(262,654)	(24,061)	-	(286,715)
<i>Subtotal</i>	<u>(1,213,991)</u>	<u>(98,895)</u>	<u>-</u>	<u>(1,312,886)</u>
Capital Assets Being Depreciated, Net	<u>725,393</u>	<u>(98,895)</u>	<u>-</u>	<u>626,498</u>
Capital Assets, Net	<u>\$ 805,957</u>	<u>\$ (98,895)</u>	<u>\$ -</u>	<u>\$ 707,062</u>

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

General Government	\$ 22,689
Public Works	35,147
Depreciation Charged to the Motor Pool Internal Service Fund	<u>41,059</u>
	<u>\$ 98,895</u>

Village of Webberville

Notes to the Financial Statements

Capital asset activities for business-type activities for the year ended March 31, 2020 were as follows:

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital Assets not Being Depreciated:				
Land	\$ 71,117	\$ -	\$ -	\$ 71,117
Capital Assets Being Depreciated:				
Sewer System	3,581,350	46,813	-	3,628,163
Water System	3,349,511	14,853	-	3,364,364
<i>Subtotal</i>	<u>6,930,861</u>	<u>61,666</u>	<u>-</u>	<u>6,992,527</u>
Less Accumulated Depreciation for:				
Sewer System	(1,713,536)	(80,410)	-	(1,793,946)
Water System	(1,627,174)	(78,364)	-	(1,705,538)
<i>Subtotal</i>	<u>(3,340,710)</u>	<u>(158,774)</u>	<u>-</u>	<u>(3,499,484)</u>
Capital Assets Being Depreciated, Net	<u>3,590,151</u>	<u>(97,108)</u>	<u>-</u>	<u>3,493,043</u>
Capital Assets, Net	<u>\$ 3,661,268</u>	<u>\$ (97,108)</u>	<u>\$ -</u>	<u>\$ 3,564,160</u>

Depreciation expense was charged to the business-type funds of the Village as follows:

Sewer Fund,	\$ 80,410
Water Fund	78,364
	<u>\$ 158,774</u>

Capital asset activities for the Downtown Development Authority (discretely presented component unit) activities for the year ended March 31, 2020 were as follows:

<u>Component Unit - DDA</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital Assets not Being Depreciated:				
Land	\$ 688,519	\$ -	\$ -	\$ 688,519
Construction in Progress	-	37,538	-	37,538
<i>Subtotal</i>	<u>688,519</u>	<u>37,538</u>	<u>-</u>	<u>726,057</u>
Capital Assets Being Depreciated:				
Streetscape	57,164	-	-	57,164
Less Accumulated Depreciation for:				
Streetscape	(25,656)	(2,858)	-	(28,514)
Capital Assets Being Depreciated, Net	<u>31,508</u>	<u>(2,858)</u>	<u>-</u>	<u>28,650</u>
Capital Assets, Net	<u>\$ 720,027</u>	<u>\$ 34,680</u>	<u>\$ -</u>	<u>\$ 754,707</u>

Village of Webberville

Notes to the Financial Statements

Note 5 - Long-term Obligations

Long-term obligations activity for the year ended March 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
<i>Direct Borrowings and Direct Placements</i>					
2015 Straight Lease Agreement Payable	\$ 27,581	\$ -	\$ (27,581)	\$ -	\$ -
<i>Other Debt</i>					
General Assessment of Drains	1,523,671	-	(82,709)	1,440,962	82,709
Compensated Absences	-	2,791	-	2,791	-
<i>Total Long-term Debt, Governmental Activities:</i>	<u>1,551,252</u>	<u>2,791</u>	<u>(110,290)</u>	<u>1,443,753</u>	<u>82,709</u>
Business-type Activities:					
<i>Direct Borrowings and Direct Placements</i>					
Verizon Lease Purchase Agreement - Water Meters Sch 001	65,434	-	(22,592)	42,842	23,595
Verizon Lease Purchase Agreement - Water Meters Sch 002	60,187	-	(20,780)	39,407	21,702
<i>Other Debt</i>					
2012 Sewer Capital Improvement Bonds	34,000	-	(34,000)	-	-
Compensated Absences	-	3,158	-	3,158	-
<i>Total Long-term Debt, Business-type Activities:</i>	<u>159,621</u>	<u>3,158</u>	<u>(77,372)</u>	<u>85,407</u>	<u>45,297</u>
<i>Total Long-term Obligations, Primary Government:</i>	<u>\$ 1,710,873</u>	<u>\$ 5,949</u>	<u>\$ (187,662)</u>	<u>\$ 1,529,160</u>	<u>\$ 128,006</u>
Component Unit, DDA:					
<i>Other Debt</i>					
General Assessment of Drains	\$ 507,500	\$ -	\$ (101,500)	\$ 406,000	\$ 101,500

The annual requirements, excluding accrued employee benefits, to maturity on the total long-term debt obligations outstanding at March 31, 2020 are as follows:

Year Ending March 31,	Governmental Activities			Business-type Activities			Component Unit		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 82,709	\$ 44,070	\$ 126,779	\$ 45,297	\$ 2,552	\$ 47,849	\$ 101,500	\$ 15,125	\$ 116,625
2022	82,709	41,305	124,014	36,952	697	37,649	101,500	11,344	112,844
2023	82,709	38,540	121,249	-	-	-	101,500	7,562	109,062
2024	82,709	35,775	118,484	-	-	-	101,500	3,781	105,281
2025	53,507	33,010	86,517	-	-	-	-	-	-
2026-2030	267,533	139,632	407,165	-	-	-	-	-	-
2031-2035	237,401	99,504	336,905	-	-	-	-	-	-
2036-2040	229,868	66,087	295,955	-	-	-	-	-	-
2041-2045	229,868	33,044	262,912	-	-	-	-	-	-
2046-2047	91,949	3,966	95,915	-	-	-	-	-	-
<i>Totals</i>	<u>\$ 1,440,962</u>	<u>\$ 534,933</u>	<u>\$ 1,975,895</u>	<u>\$ 82,249</u>	<u>\$ 3,249</u>	<u>\$ 85,498</u>	<u>\$ 406,000</u>	<u>\$ 37,812</u>	<u>\$ 443,812</u>

The descriptions for the Village's long-term obligations are as follows:

2015 Straight Lease Agreement Payable - In the fiscal year 2015, the Village obtained a five-year straight lease agreement in the amount of \$134,500 for a DPW Vactor Combination sewer Cleaner (vac truck), carrying an interest rate of 2.6%. The final payment was in the current fiscal year.

General Assessment of Drains - The Village is assessed for drains at large by the Ingham County Drain Commission. The assessments cover the Village's and DDA's share of the cost for drains.

Village of Webberville

Notes to the Financial Statements

Verizon Lease Purchase Agreements - In the fiscal year 2017, the Village entered two five-year straight lease purchase agreements with Verizon Credit, Inc. for water meters, each carrying an interest rate of 4.35%.

2012 Sewer Capital Improvement Bonds - In the fiscal year 2013, the Village issued \$228,000 of capital improvement bonds for the purpose of paying all or part of the cost of acquiring and construction certain improvements to the sanitary sewer system. The bonds bear an interest rate of 2.45% with principal and interest payments due semi-annually. The final payment for the bonds was November 1, 2019, this fiscal year.

Note 6 - Interfund Activity

The composition of interfund balances as of March 31, 2020 was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Municipal Street Fund	General Fund	\$ 247,382
Water Fund	General Fund	3,526
Water Fund	Sewer Fund	19,472
General Fund	Local Street Fund	89,149
General Fund	Major Street Fund	167,887

These balances resulted from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Additionally, the Downtown Development Authority (discretely presented component unit) had \$467,589 receivable from the general fund (\$352,956) and the municipal street fund (\$114,633).

Note 7 - 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:

Cumulative Surplus/(Shortfall) at March 31, 2019	\$ 456
Current Year Construction Permit Revenue	36,129
Related Expenses - Direct Costs	<u>(53,842)</u>
Current Year Surplus/(Shortfall)	<u>(17,713)</u>
Cumulative Surplus/(Shortfall) at March 31, 2020	\$ <u>(17,257)</u>

Village of Webberville

Notes to the Financial Statements

Note 8 - Employee Retirement Systems and Plans

General Information about the Plan

Plan Description. The primary government participates in the Municipal Employees' Retirement System (MERS) of Michigan, a defined benefit pension plan providing certain retirement, disability and death benefits to plan members and beneficiaries. 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. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided. Pension benefits are calculated as final average compensation (based on a five year period) and a multiplier of 1.70% with no max. Participants are considered to be fully vested in the plan after 10 years. Normal retirement age is 60 with reduced early retirement options available of 50/25 or 55/15.

Employees Covered by Benefit Terms. At December 31, 2019 (the valuation date), plan membership for governmental activities consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	5
Active employees	6
Total membership	<u>14</u>

Contributions. The employer 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. Covered employee contributions are expressed as a percentage of payroll, where applicable.

Employer contributions are expressed as a percentage of payroll for the plan as a whole with an employer contribution rate of 2.70% and an employee contribution rate of 5.50%.

Net Pension Liability. The Village's net pension liability was measured as of December 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the same date.

Village of Webberville

Notes to the Financial Statements

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.00% in the long-term
Investment Rate of Return	7.35%, 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 valuation were based on the results of the most recent actuarial experience study of 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Gross Rate of Return	Long-term Expected Real Rate of Return
Global equity	60.00%	4.65%	3.15%
Global fixed income	20.00%	0.75%	0.25%
Private investments	20.00%	1.95%	1.45%
Total	100.00%	7.35%	4.85%

Discount Rate. The discount rate used to measure the total pension liability is 7.60%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. 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,

Village of Webberville

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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.

Changes in Net Pension Liability. The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at December 31, 2018	\$ 540,480	\$ 506,528	\$ 33,952
Service cost	25,466	-	25,466
Interest	43,062	-	43,062
Changes in actuarial assumptions	15,490	-	15,490
Differences between expected and actual experience	18,068	-	18,068
Employer contributions	-	32,050	(32,050)
Employee contributions	-	16,769	(16,769)
Net investment income	-	69,849	(69,849)
Benefit payments, including refunds	(28,816)	(28,816)	-
Administrative expense	-	(1,206)	1,206
Other changes	(1,061)	(1,311)	250
<i>Net changes</i>	<u>72,209</u>	<u>87,335</u>	<u>(15,126)</u>
Balances at December 31, 2019	\$ 612,689	\$ 593,863	\$ 18,826

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the Village's governmental activities, calculated using the discount rate of 7.60%, as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.60%) or 1% higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
Village's net pension liability (asset)	<u>\$ 88,481</u>	<u>\$ 18,826</u>	<u>\$ (40,158)</u>

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions. For the year ended March 31, 2020, the Village's governmental activities recognized pension expense of \$23,075.

The Village reported pension-related deferred outflows/inflows of resources from the following sources:

Village of Webberville

Notes to the Financial Statements

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 1,912	\$ -
Changes in assumptions	11,618	-
Differences between expected and actual experience	18,341	5,798
Employer contributions (refunds) to the plan subsequent to the measurement date	8,293	-
Total	\$ 40,164	\$ 5,798

* 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 year ending March 31, 2021.

Amounts reported as pension-related deferred outflows/inflows of resources will be recognized in pension expense (income) as follows:

Year Ended March 31,	Amount
2021	\$ 9,331
2022	7,350
2023	15,118
2024	(5,726)

Note 9 - 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 10 - 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

Village of Webberville

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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.

For the fiscal year ended March 31, 2020, the Village abated property taxes totaling \$47,122 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 11 - Subsequent Events

The Village may be affected by the recent and ongoing outbreak of the Coronavirus (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. COVID-19 has caused significant government and business disruptions through mandated and voluntary closings and stay at home orders. Management is in the process of determining if this outbreak will have a significant financial impact on the Village's financial statements.

Note 12 - Prior Period Restatements

As a response to the prior year audit findings, the Village has hired an external CPA firm to help correct the issues listed in the findings from the State of Michigan. As a result, during the current year, there were many adjustments made to fund balance and net position of various funds and opinion units, as follows:

- Correct accounts payable at beginning of year
- Eliminate incorrect receivable
- Correct beginning net pension liability and related deferred outflows/inflows of resources
- Record previously unidentified fixed asset additions
- Record missed bond payment
- Correct accrued interest payable
- Correct interfund activity between various funds
- Adjust cash to actual amount
- Correct drain assessments incorrectly paid from Municipal Street Fund
- Reverse duplicate expense
- Correct payroll accrual and various payroll liabilities
- Correct accounts receivable balances
- Eliminate non-existent deferred inflow of resources
- Separate non-pooled cash from pooled cash
- Correct tax revenues from prior years
- Correct due to Downtown Development Authority

Village of Webberville

Notes to the Financial Statements

The summary of the above changes is as follows:

	General Fund	Major Street Fund	Municipal Street Fund	Local Street Fund	Total Governmental Funds
Fund Balance at March 31, 2019, as reported	\$ (18,522)	\$ (178,435)	\$ 44,123	\$ (66,494)	\$ (216,011)
<i>Adjustments to:</i>					
Cash	(7,784)	-	-	-	(7,784)
Accounts Receivable and Other Receivables	(28,283)	(16,680)	-	(5,649)	(50,612)
Accounts Payable	34,398	17,362	-	6,165	57,925
Payroll and Related Liabilities	30,658	22,657	-	7,646	60,961
Other Deferred Inflows of Resources	9,551	-	-	-	9,551
Interfund and Inter-governmental Balances	336,036	-	(17,492)	-	318,544
Revenues	35,126	-	-	-	35,126
Expenses	(177,003)	-	177,003	-	-
Fund Balance at March 31, 2019, as restated	\$ 214,177	\$ (155,096)	\$ 203,634	\$ (58,332)	\$ 207,700

	Motor Pool Internal Service Fund	Governmental Activities	Sewer Fund	Water Fund	Downtown Development Authority
Net Position at March 31, 2019, as reported	\$ 135,930	\$ (952,140)	\$ 2,563,105	\$ 2,205,294	\$ 2,106,768
<i>Adjustments to:</i>					
Cash	-	(7,784)	-	-	-
Accounts Receivable and Other Receivables	-	38,098	(26,859)	(28,251)	-
Fixed Assets	(26,436)	(26,436)	122,059	46,749	(69,407)
Accounts Payable	778	58,703	3,210	5,469	-
Payroll and Related Liabilities	1,434	62,395	60,999	60,315	-
Long-term Debt and Accrued Interest	-	(5,854)	16,612	32,031	(2,363)
Net Pension Liability and Related Deferrals	-	(5,499)	1,722	1,722	-
Other Deferred Inflows of Resources	-	(1,408)	-	-	-
Interfund and Inter-governmental Balances	-	318,544	29,753	25,443	(373,794)
Revenues	-	35,126	-	-	-
Expenses	-	-	-	(3,798)	-
Net Position at March 31, 2019, as restated	\$ 111,706	\$ (486,255)	\$ 2,770,601	\$ 2,344,974	\$ 1,661,204

REQUIRED SUPPLEMENTARY INFORMATION

Village of Webberville
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended March 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
Revenues				
Property Taxes	\$ 570,806	\$ 668,380	\$ 471,064	\$ (197,316)
Licenses and Permits	70,000	36,000	41,220	5,220
State Sources	82,500	84,870	124,604	39,734
Charges for Services	71,800	77,000	80,645	3,645
Interest Income	3,500	3,500	1,259	(2,241)
Other Revenue	61,120	61,120	18,880	(42,240)
Total Revenues	<u>859,726</u>	<u>930,870</u>	<u>737,672</u>	<u>(193,198)</u>
Expenditures				
General Government	414,075	442,283	499,579	(57,296)
Public Safety	282,500	282,500	139,473	143,027
Public Works	50,500	46,000	37,582	8,418
Community and Economic Development	262,000	239,000	79,836	159,164
Recreation and Culture	1,500	2,200	1,947	253
Debt Service, Principal	--	--	44,925	(44,925)
Debt Service, Interest	--	--	25,455	(25,455)
Total Expenditures	<u>1,010,575</u>	<u>1,011,983</u>	<u>828,797</u>	<u>183,186</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(150,849)</u>	<u>(81,113)</u>	<u>(91,125)</u>	<u>(10,012)</u>
Net Change in Fund Balance	<u>(150,849)</u>	<u>(81,113)</u>	<u>(91,125)</u>	<u>(10,012)</u>
Fund Balance at Beginning of Period	214,177	214,177	214,177	--
Fund Balance at End of Period	<u>\$ 63,328</u>	<u>\$ 133,064</u>	<u>\$ 123,052</u>	<u>\$ (10,012)</u>

Village of Webberville
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Major Street Fund
For the Year Ended March 31, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Revenues				
State Sources	\$ 64,000	\$ 84,000	\$ 94,043	\$ 10,043
Interest Income	1,400	800	688	(112)
Other Revenue	--	325	305	(20)
Total Revenues	<u>65,400</u>	<u>85,125</u>	<u>95,036</u>	<u>9,911</u>
Expenditures				
Public Works	208,350	187,000	92,663	94,337
Total Expenditures	<u>208,350</u>	<u>187,000</u>	<u>92,663</u>	<u>94,337</u>
Other Financing Uses				
Transfers Out	8,500	8,500	--	8,500
Total Expenditures and Other Financing Uses	<u>216,850</u>	<u>195,500</u>	<u>92,663</u>	<u>102,837</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	<u>(151,450)</u>	<u>(110,375)</u>	<u>2,373</u>	<u>112,748</u>
Net Change in Fund Balance	(151,450)	(110,375)	2,373	112,748
<i>Fund Balance at Beginning of Period</i>	(155,096)	(155,096)	(155,096)	--
Fund Balance at End of Period	\$ (306,546)	\$ (265,471)	\$ (152,723)	\$ 112,748

Village of Webberville
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Municipal Street Fund
For the Year Ended March 31, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Property Taxes	\$ 83,200	\$ 83,000	\$ 65,691	\$ (17,309)
Interest Income	350	150	66	(84)
Total Revenues	<u>83,550</u>	<u>83,150</u>	<u>65,757</u>	<u>(17,393)</u>
Other Financing Sources				
Transfers In	83,550	50,000	--	(50,000)
Total Revenues and Other Financing Sources	167,100	133,150	65,757	(67,393)
Expenditures				
Public Works	--	1,500	1,465	35
Debt Service, Principal	112,748	82,981	37,784	45,197
Debt Service, Interest	54,252	47,019	21,409	25,610
Total Expenditures	<u>167,000</u>	<u>131,500</u>	<u>60,658</u>	<u>70,842</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	100	1,650	5,099	3,449
Net Change in Fund Balance	100	1,650	5,099	3,449
Fund Balance at Beginning of Period	203,634	203,634	203,634	--
Fund Balance at End of Period	<u>\$ 203,734</u>	<u>\$ 205,284</u>	<u>\$ 208,733</u>	<u>\$ 3,449</u>

Village of Webberville
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Five Plan Years (Schedule is built prospectively upon implementation of GASB 68)

	2019	2018	2017	2016	2015
Total Pension Liability					
Service Cost	\$ 25,466	\$ 19,719	\$ 17,438	\$ 14,584	\$ 16,120
Interest	43,062	41,231	37,858	35,704	32,831
Changes in Actuarial Assumptions	15,490	-	-	-	17,232
Differences Between Expected and Actual Experience	18,068	(11,595)	19,161	6,999	5,152
Benefit Payments, Including Refunds	(28,816)	(28,816)	(28,816)	(25,517)	(18,921)
Other Changes	(1,061)	-	(9,238)	-	-
Net Change in Pension Liability	72,209	20,539	36,403	31,770	52,414
<i>Total Pension Liability - Beginning</i>	540,480	519,941	483,538	451,768	399,354
Total Pension Liability - Ending (a)	\$ 612,689	\$ 540,480	\$ 519,941	\$ 483,538	\$ 451,768
Plan Fiduciary Net Position					
Contributions - Employer	\$ 32,050	\$ 28,653	\$ 26,167	\$ 27,643	\$ 27,374
Contributions - Member	16,769	12,326	11,489	11,059	9,637
Net Investment Income (Loss)	69,849	(20,474)	61,046	46,706	(6,214)
Benefit Payments, Including Refunds	(28,816)	(28,816)	(28,816)	(25,517)	(18,921)
Administrative Expenses	(1,206)	(1,011)	(965)	(920)	(880)
Other Changes	(1,311)	(2,050)	(11,738)	(750)	(250)
Net Change in Plan Fiduciary Net Position	87,335	(11,372)	57,183	58,221	10,746
<i>Plan Fiduciary Net Position - Beginning</i>	506,528	517,900	460,717	402,496	391,750
Plan Fiduciary Net Position - Ending (b)	\$ 593,863	\$ 506,528	\$ 517,900	\$ 460,717	\$ 402,496
Net Pension Liability - Ending (a) - (b)	\$ 18,826	\$ 33,952	\$ 2,041	\$ 22,821	\$ 49,272
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96.9%	93.7%	99.6%	95.3%	89.1%
Covered Payroll	\$ 305,346	\$ 250,238	\$ 222,708	\$ 193,421	\$ 219,924
Net Pension Liability as a Percentage of Covered Payroll	6.2%	13.6%	0.9%	11.8%	22.4%

**Village of Webberville
Required Supplementary Information
Schedule of Contributions**

Last Five Fiscal Years (Schedule is built prospectively upon implementation of GASB 68)

	2020	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 8,694	\$ 4,472	\$ 2,167	\$ 5,625	\$ 12,561
Contributions in Relation to the Actuarially Determined Contribution	32,694	28,653	26,167	27,643	36,561
Contribution Deficiency (Excess)	<u>\$ (24,000)</u>	<u>\$ (24,181)</u>	<u>\$ (24,000)</u>	<u>\$ (22,018)</u>	<u>\$ (24,000)</u>
Covered Payroll	301,829	305,346	250,238	222,708	193,421
Contributions as a Percentage of Covered Payroll	10.8%	9.4%	10.5%	12.4%	18.9%

Notes

Valuation Date

Actuarially determined contribution amounts are calculated as of December 31 each year, which is 15 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	10 years
Asset valuation method	5-Year smoothed
Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.35%, net of investment expenses, including inflation
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	Rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% male and 50% female blend

Other Supplementary Information

Village of Webberville
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2020

	Special Revenue			Total Nonmajor Governmental Funds
	Local Street Fund	Building Authority		
ASSETS				
Cash and Cash Equivalents	\$ 7,766	\$ 3,321		\$ 11,087
Due from State	148,943	--		148,943
Total Assets	\$ 156,709	\$ 3,321		\$ 160,030
LIABILITIES				
Accounts Payable	\$ 2,044	\$ --		\$ 2,044
Payroll Related Liabilities	1,434	--		1,434
Due to Other Funds	89,149	--		89,149
Total Liabilities	92,627	--		92,627
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	148,943	--		148,943
Total Liabilities and Deferred Inflows of Resources	241,570	--		241,570
FUND BALANCE				
Restricted	--	3,321		3,321
Unassigned	(84,861)	--		(84,861)
Total Fund Balance	(84,861)	3,321		(81,540)
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 156,709	\$ 3,321		\$ 160,030

Village of Webberville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended March 31, 2020

	Special Revenue		Total Nonmajor Governmental Funds
	Local Street Fund	Building Authority	
Revenues			
State Sources	\$ 28,104	\$ --	\$ 28,104
Interest Income	282	4	286
Other Revenue	184	--	184
Total Revenues	<u>28,570</u>	<u>4</u>	<u>28,574</u>
Expenditures			
Public Works	55,099	--	55,099
Total Expenditures	<u>55,099</u>	<u>--</u>	<u>55,099</u>
Excess of Revenues Over (Under) Expenditures	<u>(26,529)</u>	<u>4</u>	<u>(26,525)</u>
Net Change in Fund Balance	<u>(26,529)</u>	<u>4</u>	<u>(26,525)</u>
Fund Balance at Beginning of Period	<u>(58,332)</u>	<u>3,317</u>	<u>(55,015)</u>
Fund Balance at End of Period	<u>\$ (84,861)</u>	<u>\$ 3,321</u>	<u>\$ (81,540)</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Webberville (the "Village"), as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated August 28, 2020.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness, listed as findings 2020-01, 2020-02, 2020-03, 2020-04, 2020-05, 2020-06, 2020-07 and 2020-08.

Compliance and Other Matters

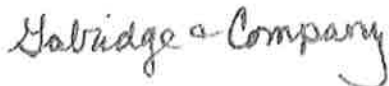
As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*: 2020-09, 2020-10 and 2020-11.

The Village's Response to Findings

The Village's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

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



Gabridge & Company, PLC
Grand Rapids, MI
August 28, 2020

Village of Webberville

Schedule of Findings and Responses

MATERIAL WEAKNESSES

Lack of Monitoring Finding 2020-01

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.

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 has hired two deputies to assist in the office. In addition, the Village Clerk/Treasurer and Deputy will be providing the Council with reports updating them on progress. In addition, members of the Council will be approving processes that will be implemented.

Village of Webberville

Schedule of Findings and Responses

Segregation of Duties Finding 2020-02

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.

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.

Village of Webberville

Schedule of Findings and Responses

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 has hired two more staff members and is putting steps in place to ensure that all work in the office is reviewed – every process is to have two people signing off on it before it even goes to Council.

Village of Webberville

Schedule of Findings and Responses

Timely Bank Reconciliations Finding 2020-03

Condition: Bank accounts are not being reconciled and independently review in a timely fashion.

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.
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 has hired Plante Moran to provide controllership services on an on-going basis to ensure all bank accounts of the Village are reconciled and independently reviewed in a timely manner.

Village of Webberville

Schedule of Findings and Responses

Receipting, Receivable, and Depositing Process Finding 2020-04

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.

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.

Village of Webberville

Schedule of Findings and Responses

Management's Response-Corrective Action Plan: The Village has a staff who will make bank deposits daily– if needed. There is a process being created for this and the documented procedure will go to Council for approval. Once the process is in place, the Council will receive a revenue report each time they get an accounts payable report.

Village of Webberville

Schedule of Findings and Responses

Payroll and Related Withholdings Finding 2020-05

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.
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

Village of Webberville

Schedule of Findings and Responses

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 15th 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 25th 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.

Management's Response-Corrective Action Plan: The Village President is signing off on timesheets and work logs prior to payment. The payroll process is being done, including monthly payroll withholdings, and is being reviewed by two . Their review will include ensuring that timesheets, vouchers, reports and bank reports all match.

Village of Webberville

Schedule of Findings and Responses

Disbursements Procedures Finding 2020-06

Condition: The Village does not comply with the State's Accounting Procedures Manual with respect to cash disbursements:

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.
- 8) The Village should organize vendor files in a consistent and logical manner (i.e. alphabetically by vendor name, numerically by check number).

Village of Webberville

Schedule of Findings and Responses

- 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 is working on approving and implementing policies and procedures for every process at the Village of Webberville. The President and Clerk/Treasurer sign each voucher and check.

Village of Webberville

Schedule of Findings and Responses

Tax Collections Finding 2020-07

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.

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 be accounted for within the general ledger.

Management's Response--Corrective Action Plan: The Village of Webberville has hired Plante Moran to provide controllership services on an on-going basis to ensure that tax collection are accounted for in the Village's general ledger.

Village of Webberville

Schedule of Findings and Responses

Unsupported Credit Card Transactions Finding 2020-08

Condition: During the course of our audit, we found 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 is updating the Credit Card Policy for current best practices and will adhere to it going forward.

Village of Webberville

Schedule of Findings and Responses

STATUTORY NONCOMPLIANCE

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

Noncompliance with the Uniform Chart of Accounts Finding 2020-09

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 has hired Plante Moran to provide controllership services on an on-going basis so that the Village will make the necessary changes to comply with the State’s Uniform Chart of Accounts.

Village of Webberville

Schedule of Findings and Responses

Expenditures in Excess of Appropriations Finding 2020-10

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 2020 General Appropriations Act (budget) provided for expenditures of the General fund and Special Revenue funds to be controlled at the activity level. Actual 2020 expenditures exceeded the Village Council's approved budget allocations for several general and Special Revenue fund activities.

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 has hired Plante Moran to provide controllership services on an on-going basis maintain expenditures within the constraints of the Village's adopted budget(s).

Village of Webberville

Schedule of Findings and Responses

OTHER MATTERS

Equipment Rental Charges Finding 2020-11

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 has hired Plante Moran to provide controllership services on an on-going basis and rental charges are processed in a timely manner.

August 28, 2020

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Webberville (the "Village") as of and for the year ended March 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 1, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

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 are described in Note 1 to the financial statements. There were no new accounting policies implemented during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 Village's financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences and the related pay rates as of year-end.
- The assumptions used in the valuations of the pension plan are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 28, 2020.

Management Consultations with Other Independent Accountants

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

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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the budgetary comparison schedules, the pension schedules, and management's discussion and analysis, which are required supplementary

information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, MI

