

VILLAGE OF LAKEVIEW

Montcalm County, Michigan

FINANCIAL STATEMENTS

February 28, 2013

VILLAGE OF LAKEVIEW

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1
Management's Discussion and Analysis	4
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position.....	10
Statement of Activities.....	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Proprietary Funds:	
Statement of Net Position.....	16
Statement of Revenues, Expenses and Changes in Fund Net Position.....	17
Statement of Cash Flows.....	18
Notes to Financial Statements	20
REQUIRED SUPPLEMENTAL INFORMATION:	
Budgetary Comparison Schedule – General Fund.....	31
Budgetary Comparison Schedule – Major Street Fund.....	32
Budgetary Comparison Schedule – Local Street Fund.....	33
SUPPLEMENTAL INFORMATION:	
<i>Schedules of Indebtedness</i>	35
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40



INDEPENDENT AUDITORS' REPORT

To the Honorable President and
Members of the Village Council
Village of Lakeview, 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, and each major fund of the Village of Lakeview as of and for the year ended February 28, 2013, 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Village of Lakeview as of February 28, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Honorable President and
Members of the Village Council
Village of Lakeview, Michigan

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 8) and budgetary comparison information (pages 31 through 33) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2013 on our consideration of the Village of Lakeview's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Lakeview's internal control over financial reporting and compliance.

Berthiaume & Co.

Saginaw, Michigan
May 1, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF LAKEVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Village of Lakeview (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

Overview View of the Financial Statements:

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

Government-wide Financial Statements:

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide financial statements report the Village's net position and how they have changed. Net position – the difference between the Village's assets and liabilities – are one way to measure the Village's financial health.

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

Governmental Activities – Most of the Village's basic services are included here, such as the public safety, public works, and recreation departments, and general administration. Property taxes, State-shared revenue, charges for services, grants, and transfers provide much of the funding.

Business-type Activities – The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's sewer and water systems are included here.

Component Unit – The Village's component unit is the Downtown Development Authority.

Fund Financial Statements:

The fund financial statements provide more detailed information about the Village's most significant funds – not the Village as a whole. Funds are accounting tools that the Village uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The Village Council establishes other funds to control and manage money for particular purposes.

The Village has two kinds of funds:

Governmental Funds – Most of the Village's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs.

VILLAGE OF LAKEVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary Funds – Services to which the Village charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like government-wide statements, provide both short- and long-term financial information.

Government-wide Financial Analysis:

The following table shows, in a condensed format, the statement of net position at February 28, 2013 and 2012:

Village of Lakeview's Net Position

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Assets:						
Current assets	\$ 880,264	\$ 870,122	\$ 784,728	\$ 722,734	\$ 1,664,992	\$ 1,592,856
Noncurrent assets:						
Other assets	-	-	109,000	109,000	109,000	109,000
Capital assets	<u>3,127,084</u>	<u>2,778,290</u>	<u>2,309,729</u>	<u>2,423,228</u>	<u>5,436,813</u>	<u>5,201,518</u>
Total assets	<u>4,007,348</u>	<u>3,648,412</u>	<u>3,203,457</u>	<u>3,254,962</u>	<u>7,210,805</u>	<u>6,903,374</u>
Liabilities:						
Other liabilities	17,576	20,171	14,550	45,275	32,126	65,446
Long-term liabilities	<u>5,926</u>	<u>8,352</u>	<u>1,193,000</u>	<u>1,249,000</u>	<u>1,198,926</u>	<u>1,257,352</u>
Total liabilities	<u>23,502</u>	<u>28,523</u>	<u>1,207,550</u>	<u>1,294,275</u>	<u>1,231,052</u>	<u>1,322,798</u>
Net position:						
Invested in capital assets, net of related debt	3,127,084	2,778,290	1,116,729	1,174,228	4,243,813	3,952,518
Restricted	408,697	381,859	109,000	109,000	517,697	490,859
Unrestricted	<u>448,065</u>	<u>459,740</u>	<u>770,178</u>	<u>677,459</u>	<u>1,218,243</u>	<u>1,137,199</u>
Total net position	<u>\$ 3,983,846</u>	<u>\$ 3,619,889</u>	<u>\$ 1,995,907</u>	<u>\$ 1,960,687</u>	<u>\$ 5,979,753</u>	<u>\$ 5,580,576</u>

VILLAGE OF LAKEVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Financial Analysis, continued:

The following table shows, in a condensed format, the changes in net position for fiscal year 2013 and 2012:

Village of Lakeview's Changes in Net Position

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues						
Charges for services	\$ 132,901	\$ 131,853	\$ 391,099	\$ 379,150	\$ 524,000	\$ 511,003
Operating grants	107,805	108,754	5,424	10,000	113,229	118,754
Capital grants	393,683	191,100	-	-	393,683	191,100
General revenues						
Property taxes	281,118	267,524	-	-	281,118	267,524
Franchise fees	3,391	5,184	-	-	3,391	5,184
State revenue sharing	96,285	97,638	-	-	96,285	97,638
Investment earnings	3,697	2,609	2,906	3,876	6,603	6,485
Other	2,446	6,480	-	-	2,446	6,480
Total revenues	<u>1,021,326</u>	<u>811,142</u>	<u>399,429</u>	<u>393,026</u>	<u>1,420,755</u>	<u>1,204,168</u>
Expenses:						
General government	122,259	128,527	-	-	122,259	128,527
Public safety	148,684	177,177	-	-	148,684	177,177
Public works	345,468	276,131	-	-	345,468	276,131
Community and economic development	5,291	1,395	-	-	5,291	1,395
Recreation and culture	39,667	44,430	-	-	39,667	44,430
Sewer	-	-	195,486	197,295	195,486	197,295
Water	-	-	168,723	180,005	168,723	180,005
Total expenses	<u>661,369</u>	<u>627,660</u>	<u>364,209</u>	<u>377,300</u>	<u>1,025,578</u>	<u>1,004,960</u>
Excess of revenues over expenses before other	<u>359,957</u>	<u>183,482</u>	<u>35,220</u>	<u>15,726</u>	<u>395,177</u>	<u>199,208</u>
Other items:						
Gain on capital assets	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>-</u>
Changes in net position	<u>363,957</u>	<u>183,482</u>	<u>35,220</u>	<u>15,726</u>	<u>399,177</u>	<u>199,208</u>
Net position, beginning of year	<u>3,619,889</u>	<u>3,436,407</u>	<u>1,960,687</u>	<u>1,944,961</u>	<u>5,580,576</u>	<u>5,381,368</u>
Net position, end of year	<u>\$ 3,983,846</u>	<u>\$ 3,619,889</u>	<u>\$ 1,995,907</u>	<u>\$ 1,960,687</u>	<u>\$ 5,979,753</u>	<u>\$ 5,580,576</u>

VILLAGE OF LAKEVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

Village Funds Financial Analysis:

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

The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as show accountability for certain activities. The Village's major governmental funds are the General Fund, Major Street Fund, and Local Street Fund. Additionally, the Village reports the Sewer and Water funds as major proprietary funds.

The General Fund accounts for functions relating to the general government activities of the Village, which are financed by property tax levies, distribution of State revenues, and fees charged for various municipal activities and services. This fund had a decreased fund balance of \$14,101.

The Major Street Fund accounts for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for maintenance and construction of roads designated as major streets in the Village. This fund had an increased fund balance of \$21,875.

The Local Street Fund accounts for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for maintenance and construction of roads designated as local streets in the Village. This fund had an increased fund balance of \$4,963.

The Sewer Fund covers the operations of the Village's sewage treatment plant and the maintenance and construction of the sewer distribution system. This fund had an increased net position of \$13,159.

The Water Fund finances the operations of the water treatment plant and the entire transmission and distribution system. This fund had an increased net position of \$22,061.

General Fund Budgetary Highlights:

Over the course of the year, the Village Council and Village management monitor and amend the budget to account for unanticipated events during the year such as cuts in State-shared revenue, utility expense increases, and rising healthcare costs.

Capital Assets and Debt Administration:

Capital Assets – The Village's investment in capital assets for governmental and business-type activities as of February 28, 2013 amounts to \$5,436,813 (cost net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, vehicles, equipment, sewer and water systems, and infrastructure. Governmental activities included additions of \$442,772, the largest portion being a negotiated contract with MDOT for street paving for \$414,633 and the remaining amount was for the purchase of a DPW truck. Business-type activities had no additions in the current year.

VILLAGE OF LAKEVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt – At the end of the current fiscal year, the Village had total debt outstanding of \$1,249,000. This amount is backed solely by specified revenue sources. Debt decreased by \$50,000 for the business-type activities which was current year principal payments made.

Economic Factors:

We are continuing to plan for the long term, and will continue to balance the budgets through controls expense growth and cost reduction, while striving to provide the Village's residents with the same level of service to which they have been accustomed. However, should State-shared revenues be reduced further, reductions in services are inevitable.

In the last several years, an effort has been made through strategic planning and capital improvement projects to reduce the fixed operating costs of governmental activities. These objectives have been sought through energy efficiency projects, shared municipal services, and creating new revenue generating sources to help offset revenue declines.

It will be the goal of the Village to continue producing balanced operating budgets without the use of fund balance. Furthermore, potential use of fund balance will be strategically spent in a manner that is "one time" expenditures that do not increase the operational costs of government, but rather are designed and planned to reduced fixed operational costs.

Contacting the Village's Financial Management:

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact the Village Office at 315 S. Lincoln Avenue, Lakeview, MI 48850.

BASIC FINANCIAL STATEMENTS

VILLAGE OF LAKEVIEW

STATEMENT OF NET POSITION

February 28, 2013

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
Assets:				
Cash and cash equivalents	\$ 821,278	\$ 753,279	\$ 1,574,557	\$ 177,132
Receivables	50,489	31,449	81,938	40,766
Inventory	243	-	243	-
Prepaid expenses	8,254	-	8,254	-
Restricted cash and cash equivalents	-	109,000	109,000	-
Capital assets:				
Nondepreciable capital assets	485,908	-	485,908	129,477
Depreciable capital assets, net	<u>2,641,176</u>	<u>2,309,729</u>	<u>4,950,905</u>	<u>581,109</u>
Total assets	<u>4,007,348</u>	<u>3,203,457</u>	<u>7,210,805</u>	<u>928,484</u>
Liabilities:				
Accounts payable and accrued expenses	17,576	14,550	32,126	-
Long-term liabilities:				
Due within one year	-	58,000	58,000	-
Due in more than one year	<u>5,926</u>	<u>1,135,000</u>	<u>1,140,926</u>	<u>-</u>
Total liabilities	<u>23,502</u>	<u>1,207,550</u>	<u>1,231,052</u>	<u>-</u>
Net position:				
Invested in capital assets, net of related debt	3,127,084	1,116,729	4,243,813	710,586
Restricted for:				
Debt service	-	109,000	109,000	-
Streets	408,697	-	408,697	-
Unrestricted	<u>448,065</u>	<u>770,178</u>	<u>1,218,243</u>	<u>217,898</u>
Total net position	<u>\$ 3,983,846</u>	<u>\$ 1,995,907</u>	<u>\$ 5,979,753</u>	<u>\$ 928,484</u>

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

VILLAGE OF LAKEVIEW

STATEMENT OF ACTIVITIES Year Ended February 28, 2013

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Functions/Programs					
PRIMARY GOVERNMENT:					
<i>Governmental activities:</i>					
General government	\$ 122,259	\$ 90,205	\$ -	\$ -	\$ (32,054)
Public safety	148,684	3,806	2,141	-	(142,737)
Public works	345,468	38,770	105,664	393,683	192,649
Community and economic development	5,291	120	-	-	(5,171)
Recreation and culture	39,667	-	-	-	(39,667)
Total governmental activities	<u>661,369</u>	<u>132,901</u>	<u>107,805</u>	<u>393,683</u>	<u>(26,980)</u>
<i>Business-type activities:</i>					
Sewer	195,486	207,985	-	-	12,499
Water	168,723	183,114	5,424	-	19,815
Total business-type activities	<u>364,209</u>	<u>391,099</u>	<u>5,424</u>	<u>-</u>	<u>32,314</u>
Total primary government	<u>\$1,025,578</u>	<u>\$ 524,000</u>	<u>\$ 113,229</u>	<u>\$ 393,683</u>	<u>\$ 5,334</u>
COMPONENT UNIT:					
Downtown development authority	<u>\$ 103,592</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (103,592)</u>

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

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<i>Changes in net assets:</i>				
Net (Expense) Revenue	\$ (26,980)	\$ 32,314	\$ 5,334	\$ (103,592)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	168,433	-	168,433	-
Property taxes, levied for cemetery	19,194	-	19,194	-
Property taxes, levied for streets	93,491	-	93,491	-
Property taxes, captured	-	-	-	121,411
Franchise fees	3,391	-	3,391	-
Grants and contributions not restricted to specific programs	96,285	-	96,285	-
Unrestricted investment earnings	3,697	2,906	6,603	272
Other	2,446	-	2,446	-
Special item - Gain on capital asset	4,000	-	4,000	-
Total general revenues and special item	<u>390,937</u>	<u>2,906</u>	<u>393,843</u>	<u>121,683</u>
Changes in net position	363,957	35,220	399,177	18,091
Net position, beginning of year	<u>3,619,889</u>	<u>1,960,687</u>	<u>5,580,576</u>	<u>910,393</u>
Net position, end of year	<u>\$ 3,983,846</u>	<u>\$ 1,995,907</u>	<u>\$ 5,979,753</u>	<u>\$ 928,484</u>

VILLAGE OF LAKEVIEW

GOVERNMENTAL FUNDS

BALANCE SHEET

February 28, 2013

	<i>General Fund</i>	<i>Special Revenue Funds</i>		<i>Total</i>
		<i>Major Street Fund</i>	<i>Local Street Fund</i>	
Assets:				
Cash and cash equivalents	\$ 428,076	\$ 290,100	\$ 103,102	\$ 821,278
Due from other governmental units	31,898	14,132	4,459	50,489
Inventory	243	-	-	243
Prepaid expenditures	8,254	-	-	8,254
Total assets	<u>\$ 468,471</u>	<u>\$ 304,232</u>	<u>\$ 107,561</u>	<u>\$ 880,264</u>
Liabilities and Fund Balances:				
<i>Liabilities:</i>				
Accounts payable	\$ 6,730	\$ 934	\$ 266	\$ 7,930
Accrued expenses	7,750	1,064	832	9,646
Total liabilities	<u>14,480</u>	<u>1,998</u>	<u>1,098</u>	<u>17,576</u>
<i>Fund balances:</i>				
Nonspendable:				
Inventory	243	-	-	243
Prepaid expenditures	8,254	-	-	8,254
Restricted for:				
Streets	-	302,234	106,463	408,697
Committed to:				
Property replacement	140,189	-	-	140,189
Unassigned	305,305	-	-	305,305
Total fund balances	<u>453,991</u>	<u>302,234</u>	<u>106,463</u>	<u>862,688</u>
Total liabilities and fund balances	<u>\$ 468,471</u>	<u>\$ 304,232</u>	<u>\$ 107,561</u>	<u>\$ 880,264</u>

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

VILLAGE OF LAKEVIEW

RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES

February 28, 2013

Total fund balances for governmental funds		\$ 862,688
Total net position reported for governmental activities in the statement of of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	3,886,036	
Less accumulated depreciation	<u>(758,952)</u>	3,127,084
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:		
Compensated absences payable		<u>(5,926)</u>
Net position of governmental activities		<u><u>\$ 3,983,846</u></u>

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

VILLAGE OF LAKEVIEW

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended February 28, 2013

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	
Revenues:				
Property taxes	\$ 187,627	\$ 51,420	\$ 42,071	\$ 281,118
Licenses and permits	3,391	-	-	3,391
Federal grants	10,000	313,683	-	323,683
State grants	98,426	79,371	26,293	204,090
Contributions from other units	10,816	70,000	-	80,816
Charges for services	163,472	-	-	163,472
Fines and forfeits	2,919	-	-	2,919
Interest and rents	72,628	325	118	73,071
Other revenue	7,534	-	-	7,534
Total revenues	<u>556,813</u>	<u>514,799</u>	<u>68,482</u>	<u>1,140,094</u>
Expenditures:				
Current				
General government	182,788	-	-	182,788
Public safety	143,874	-	-	143,874
Public works	169,371	78,291	63,519	311,181
Community and economic development	5,291	-	-	5,291
Recreation and culture	34,074	-	-	34,074
Capital outlay	<u>35,516</u>	<u>414,633</u>	<u>-</u>	<u>450,149</u>
Total expenditures	<u>570,914</u>	<u>492,924</u>	<u>63,519</u>	<u>1,127,357</u>
Changes in fund balances	(14,101)	21,875	4,963	12,737
Fund balances, beginning of year	<u>468,092</u>	<u>280,359</u>	<u>101,500</u>	<u>849,951</u>
Fund balances, end of year	<u>\$ 453,991</u>	<u>\$ 302,234</u>	<u>\$ 106,463</u>	<u>\$ 862,688</u>

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

VILLAGE OF LAKEVIEW

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

Year Ended February 28, 2013

Changes in fund balances - total governmental funds \$ 12,737

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

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

Capital outlay	442,772	
Less depreciation expense	<u>(93,978)</u>	348,794

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 governmental funds.

Change in compensated absences payable	<u>2,426</u>
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Changes in net position of governmental activities \$ 363,957

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

VILLAGE OF LAKEVIEW

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

February 28, 2013

	<i>Business-type Activities</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>
Assets:			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 342,351	\$ 410,928	\$ 753,279
Accounts receivable	16,095	15,354	31,449
Total current assets	358,446	426,282	784,728
<i>Noncurrent assets:</i>			
Restricted cash and cash equivalents	54,000	55,000	109,000
Capital assets:			
Depreciable capital assets, net	1,309,784	999,945	2,309,729
Total noncurrent assets	1,363,784	1,054,945	2,418,729
Total assets	1,722,230	1,481,227	3,203,457
Liabilities:			
<i>Current liabilities:</i>			
Accounts payable	1,052	401	1,453
Accrued expenses	639	637	1,276
Accrued interest payable	3,900	7,921	11,821
Current portion of long-term debt, payable from restricted assets	23,000	35,000	58,000
Total current liabilities	28,591	43,959	72,550
<i>Noncurrent liabilities:</i>			
Long-term debt	671,000	464,000	1,135,000
Total liabilities	699,591	507,959	1,207,550
Net position:			
Net investment in capital assets	615,784	500,945	1,116,729
Restricted for:			
Debt service	54,000	55,000	109,000
Unrestricted	352,855	417,323	770,178
Total net position	\$ 1,022,639	\$ 973,268	\$ 1,995,907

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

VILLAGE OF LAKEVIEW

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION Year Ended February 28, 2013

	<i>Business-type Activities</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>
Operating revenues:			
Charges for services	\$ 207,985	\$ 173,399	\$ 381,384
Other	-	1,715	1,715
Total operating revenues	<u>207,985</u>	<u>175,114</u>	<u>383,099</u>
Operating expenses:			
Personnel	18,399	18,376	36,775
Fringe benefits	6,985	6,979	13,964
Supplies	8,547	7,703	16,250
Contracted services	3,068	11,246	14,314
Administrative expense	28,392	28,392	56,784
Dues, licenses and permits	2,270	1,530	3,800
Education and training	-	535	535
Printing and publishing	-	160	160
Insurance	2,292	2,292	4,584
Utilities	21,503	10,622	32,125
Repairs and maintenance	5,569	1,069	6,638
Equipment rental	7,527	6,761	14,288
Depreciation	<u>64,313</u>	<u>49,186</u>	<u>113,499</u>
Total operating expenses	<u>168,865</u>	<u>144,851</u>	<u>313,716</u>
Operating income	<u>39,120</u>	<u>30,263</u>	<u>69,383</u>
Non-operating revenues (expenses):			
State grants	-	5,424	5,424
Interest income	660	2,246	2,906
Rental income	-	8,000	8,000
Interest expense	<u>(26,621)</u>	<u>(23,872)</u>	<u>(50,493)</u>
Net non-operating revenues (expenses)	<u>(25,961)</u>	<u>(8,202)</u>	<u>(34,163)</u>
Change in net position	13,159	22,061	35,220
Net position, beginning of year	<u>1,009,480</u>	<u>951,207</u>	<u>1,960,687</u>
Net position, end of year	<u>\$ 1,022,639</u>	<u>\$ 973,268</u>	<u>\$ 1,995,907</u>

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

VILLAGE OF LAKEVIEW

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended February 28, 2013

	<i>Business-type Activities</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>
Cash flows from operating activities:			
Cash received from customers	\$ 214,380	\$ 176,015	\$ 390,395
Cash payments for interfund services	(8,285)	(8,407)	(16,692)
Cash payments to employees	(18,399)	(18,376)	(36,775)
Cash payments to suppliers for goods and services	(100,127)	(78,242)	(178,369)
Net cash provided by operating activities	<u>87,569</u>	<u>70,990</u>	<u>158,559</u>
Cash flows from capital and related financing activities:			
State grants	-	5,424	5,424
Principal payments	(22,000)	(34,000)	(56,000)
Interest paid	(39,377)	(26,914)	(66,291)
Net cash used by capital and related financing activities	<u>(61,377)</u>	<u>(55,490)</u>	<u>(116,867)</u>
Cash flows from investing activities:			
Interest received	660	2,246	2,906
Rent received	-	8,000	8,000
Net cash provided by investing activities	<u>660</u>	<u>10,246</u>	<u>10,906</u>
Net increase (decrease) in cash and cash equivalents	26,852	25,746	52,598
Cash and cash equivalents, beginning of year	<u>369,499</u>	<u>440,182</u>	<u>809,681</u>
Cash and cash equivalents, end of year	<u>\$ 396,351</u>	<u>\$ 465,928</u>	<u>\$ 862,279</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 39,120	\$ 30,263	\$ 69,383
Adjustments:			
Depreciation	64,313	49,186	113,499
Change in assets and liabilities:			
Accounts receivable	6,395	901	7,296
Due from other funds	735	-	735
Accounts payable	(13,643)	(733)	(14,376)
Accrued expenses	(331)	(220)	(551)
Due to other funds	(9,020)	(8,407)	(17,427)
Net cash provided by operating activities	<u>\$ 87,569</u>	<u>\$ 70,990</u>	<u>\$ 158,559</u>

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

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

February 28, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component unit. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component unit discussed below is included in the Village's reporting entity because of its operational or financial relationship with the Village.

Discretely Presented Component Unit - The component unit column in the government-wide financial statements includes the financial data of the Village's component unit. This unit is reported in a separate column to emphasize that it is legally separate from the Village. The component unit is described as follows:

Downtown Development Authority - The members of the governing board of the Downtown Development Authority (DDA) are appointed by the Village Council. The budgets and expenditures of the Downtown Development Authority must be approved by the Village Council. The Village also has the ability to significantly influence operations of the Downtown Development Authority.

Related Organization – The Village's officials are also responsible for appointing members to the Board of the Village of Lakeview Hospital Finance Authority, but the Village's accountability for this organization does not extend beyond making the appointments.

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

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

February 28, 2013

Government-wide Financial Statements:

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

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. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village’s net position are reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village’s net position resulting from current year activities.

Fund Financial Statements:

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.

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

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

February 28, 2013

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use unrestricted resources first, then restricted resources as they are needed.

The Village reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Major Street Fund** is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for maintenance and construction of roads designated as major streets in the Village.

The **Local Street Fund** is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for maintenance and construction of roads designated as local streets in the Village.

The Village reports the following major proprietary funds:

The **Sewer Enterprise Fund** is used to account for the operations of the Village's sewer department that provides sewer services to most residents of the Village on a user charge basis.

The **Water Enterprise Fund** is used to account for the operations of the Village's water department that provides water services to most residents of the Village on a user charge basis.

Assets, Liabilities and Equity:

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less to be cash equivalents.

Restricted Assets – Certain resources set aside for repayment of bonds and to meet bond covenants, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2013

Receivables – All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances, if any, are immaterial at year end.

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

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

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$5,000 and an estimated useful life in excess of two years. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) of the governmental funds are capitalized if acquired since March 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Land improvements	15-20 years
Office furniture and equipment	5-10 years
Public domain infrastructure	20-50 years
System infrastructure	10-50 years
Vehicles	5 years

Compensated Absences – Individual employees have a vested right to receive payments for unused vacation benefits under formulas and conditions specified in Village policies.

Accumulated vacation benefits of governmental funds are recorded on the statement of net position and not on the governmental fund balance sheets because they are not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds have been evaluated and determined to be immaterial to the financial statements as a whole. Consequently, no portion of the liability is reported in the statement of net position of the individual enterprise funds.

Deferred Revenue – Governmental funds and proprietary funds defer revenue recognition in connection with resources that have been received but not yet earned.

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, 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. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as bond issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2013

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 other expenditures.

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

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

Restricted – amounts that have constraints placed on their use by an external party or constitutional provisions or enabling legislation (grants, contributions, specific fee mandates).

Committed – amounts that are committed for specific purposes by the Village Council, as the Village's highest level of decision-making authority, pursuant to constraints imposed by formal actions taken, such as majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Village Council removes or changes the specific use through the same type of formal action taken to establish the commitment.

Assigned – amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed. The Village Council has the authority to assign amounts to be used for specific purposes.

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

When the Village incurs expenditures for purposes for which various fund balance classifications can be used, it is the Village's policy to use the restricted fund balance first, then committed fund balance, then assigned fund balance, and finally unassigned fund balance.

Property Taxes – Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 15. Real property taxes not collected as of October 1 are returned to the County for collection, which advances the Village 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Village Treasurer. The 2012 taxable valuation of the Village totaled \$23,650,815 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments), on which ad valorem taxes levied consisted of 10.2288 mills for Village operating, 3.9522 for Village streets, and 0.8117 for Village cemetery.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2013

Eliminations and Reclassifications:

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

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

Governmental funds are under formal budgetary control. Budgets shown in the financial statements were prepared on a basis consistent with the modified accrual basis of accounting which is used to reflect actual results. Budgetary control is exercised at the department level. The Village Manager is authorized to transfer budget amounts between line items within departments; however, any supplemental appropriations that amend total expenditures of any department require Village Council resolution. Unexpended appropriations lapse at year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

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

NOTE 3: CASH AND CASH EQUIVALENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village does not have a deposit policy for custodial credit risk. At year-end, the Village had \$1,869,202 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$343,095 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

At year end, the Village had no investments.

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

February 28, 2013

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2013 was as follows:

	<u>March 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>February 28, 2013</u>
Governmental activities:				
<i>Nondepreciable capital assets:</i>				
Land	\$ 485,908	\$ -	\$ -	\$ 485,908
<i>Depreciable capital assets:</i>				
Buildings and improvements	967,276	-	-	967,276
Infrastructure	1,480,519	414,633	-	1,895,152
Vehicles and equipment	568,232	28,139	(58,671)	537,700
Total depreciable capital assets	3,016,027	442,772	(58,671)	3,400,128
Accumulated depreciation	(723,645)	(93,978)	58,671	(758,952)
Depreciable capital assets, net	2,292,382	348,794	-	2,641,176
Governmental activities, capital assets, net	<u>\$ 2,778,290</u>	<u>\$ 348,794</u>	<u>\$ -</u>	<u>\$ 3,127,084</u>
Business-type activities:				
<i>Depreciable capital assets:</i>				
Equipment	\$ 121,005	\$ -	\$ -	\$ 121,005
Land improvements	15,480	-	-	15,480
Sewer system	2,791,916	-	-	2,791,916
Water system	2,148,395	-	-	2,148,395
Total depreciable capital assets	5,076,796	-	-	5,076,796
Accumulated depreciation	(2,653,568)	(113,499)	-	(2,767,067)
Depreciable capital assets, net	2,423,228	(113,499)	-	2,309,729
Business-type activities, capital assets, net	<u>\$ 2,423,228</u>	<u>\$ (113,499)</u>	<u>\$ -</u>	<u>\$ 2,309,729</u>
Component unit - DDA:				
<i>Nondepreciable capital assets:</i>				
Land	\$ 66,512	\$ 62,965	\$ -	\$ 129,477
<i>Depreciable capital assets:</i>				
Equipment	7,527	-	-	7,527
Infrastructure	710,050	-	-	710,050
Land improvements	63,724	-	-	63,724
Total depreciable capital assets	781,301	-	-	781,301
Accumulated depreciation	(182,200)	(17,992)	-	(200,192)
Depreciable capital assets, net	599,101	(17,992)	-	581,109
Component unit - DDA, capital assets, net	<u>\$ 665,613</u>	<u>\$ 44,973</u>	<u>\$ -</u>	<u>\$ 710,586</u>

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

February 28, 2013

Depreciation expense was charged to functions as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Unit</u>
General government	\$ 3,082	\$ -	\$ -
Public safety	6,406	-	-
Public works	78,896	-	-
Community and economic development	-	-	17,992
Recreation and culture	5,593	-	-
Sewer	-	64,313	-
Water	-	49,186	-
	<u>\$ 93,977</u>	<u>\$ 113,499</u>	<u>\$ 17,992</u>

NOTE 6: LONG-TERM LIABILITIES

The Village may issue bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term liabilities include compensated absences.

The following is a summary of debt transactions of the Village for the year ended February 28, 2013:

	<u>March 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>February 28, 2013</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 8,352	\$ -	\$ (2,426)	\$ 5,926	\$ -
Total governmental activities					
- long-term liabilities	<u>\$ 8,352</u>	<u>\$ -</u>	<u>\$ (2,426)</u>	<u>\$ 5,926</u>	<u>\$ -</u>

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

February 28, 2013

	<u>March 1,</u> <u>2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>February 28,</u> <u>2013</u>	<u>Due Within</u> <u>One Year</u>
Business-type activities:					
1986 Series A Sewer Revenue Bonds, due in annual amounts ranging from \$8,000 to \$13,000 plus interest at 6.05 to 6.125% through 2026.	\$ 164,000	\$ -	\$ (10,000)	\$ 154,000	\$ 10,000
1986 Series B Sewer Revenue Bonds, due in annual amounts ranging from \$1,000 to \$16,000 plus interest at 6.05 to 6.125% through 2026.	154,000	-	(6,000)	148,000	6,000
2001 Sanitary Sewer System Revenue Bonds, due in annual amounts ranging from \$5,000 to \$25,000 plus interest at 5.0% through 2041.	398,000	-	(6,000)	392,000	7,000
1982 Water Revenue Bonds, due in annual amounts ranging from \$15,000 to \$35,000 plus interest at 5.0% through 2020.	240,000	-	(30,000)	210,000	30,000
2000 Water Supply System Revenue Bonds, due in annual amounts ranging from \$3,000 to \$19,000 plus interest at 5.125% through 2041.	<u>293,000</u>	<u>-</u>	<u>(4,000)</u>	<u>289,000</u>	<u>5,000</u>
Total business-type activities					
- long-term liabilities	<u>\$ 1,249,000</u>	<u>\$ -</u>	<u>\$ (56,000)</u>	<u>\$ 1,193,000</u>	<u>\$ 58,000</u>

For governmental activities, compensated absences payable are liquidated by the General Fund.

Annual debt service requirements to maturity for all outstanding debt (excluding compensated absences payable) as of February 28, 2013 are as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 58,000	\$ 63,409	\$ 121,409
2015	60,000	60,323	120,323
2016	61,000	57,115	118,115
2017	68,000	53,845	121,845
2018	71,000	50,223	121,223
2019-2023	253,000	200,704	453,704
2024-2028	189,000	136,130	325,130
2029-2033	134,000	96,567	230,567
2034-2038	173,000	58,921	231,921
2039-2041	<u>126,000</u>	<u>12,938</u>	<u>138,938</u>
	<u>\$ 1,193,000</u>	<u>\$ 790,175</u>	<u>\$ 1,983,175</u>

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

February 28, 2013

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit</u>
Receivables:				
Property taxes receivable	\$ -	\$ -	\$ -	\$ 40,766
Accounts receivable	-	31,449	31,449	-
Intergovernmental	<u>50,489</u>	<u>-</u>	<u>50,489</u>	<u>-</u>
Total receivables	<u>\$ 50,489</u>	<u>\$ 31,449</u>	<u>\$ 81,938</u>	<u>\$ 40,766</u>
Accounts payable and accrued expenses:				
Accounts payable	\$ 7,930	\$ 1,453	\$ 9,383	\$ -
Accrued payroll and related liabilities	9,646	1,276	10,922	-
Intergovernmental	-	-	-	-
Accrued interest payable	<u>-</u>	<u>11,821</u>	<u>11,821</u>	<u>-</u>
Total accounts payable and accrued expenses	<u>\$ 17,576</u>	<u>\$ 14,550</u>	<u>\$ 32,126</u>	<u>\$ -</u>

NOTE 8: RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees (workers' compensation); and natural disasters. During the year, the Village carried commercial insurance to cover most risks of losses. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Pension Plan

The Village does not provide pension plan benefits to its employees.

Post Employment Benefits

The Village does not provide post employment benefits to its employees.

Deferred Compensation Plan

The Village participates in a deferred compensation plan qualifying under Section 457 of the Internal Revenue Code. The plan is administered by the Massachusetts Mutual Life Insurance Company and is available to all employees. Under the plan, employees can elect to defer a portion of their wages each pay period. After an employee has worked at the Village for two years, the Village also makes an additional matching contribution of up to 5% of the employee's annual wage. The deferred amounts are not taxable to the employees until retirement or separation from employment. All assets of the plan are held in trust for the employees and are not included in the Village financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF LAKEVIEW

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2013

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
				<i>Final Budget</i>
Revenues:				
Property taxes	\$ 168,200	\$ 184,894	\$ 187,627	\$ 2,733
Licenses and permits	3,400	5,000	3,391	(1,609)
Federal grants	-	10,000	10,000	-
State grants	95,000	97,000	98,426	1,426
Contributions from other units	8,741	10,687	10,816	129
Charges for services	114,923	137,859	163,472	25,613
Fines and forfeits	6,000	2,610	2,919	309
Interest and rents	105,200	109,668	72,628	(37,040)
Other revenue	4,500	14,711	7,534	(7,177)
Total revenues	<u>505,964</u>	<u>572,429</u>	<u>556,813</u>	<u>(15,616)</u>
Expenditures:				
Current				
General government	162,262	183,062	182,788	(274)
Public safety	154,453	161,398	143,874	(17,524)
Public works	152,644	177,695	169,371	(8,324)
Community and economic development	2,143	7,886	5,291	(2,595)
Recreation and culture	19,235	34,122	34,074	(48)
Capital outlay	<u>35,200</u>	<u>36,034</u>	<u>35,516</u>	<u>(518)</u>
Total expenditures	<u>525,937</u>	<u>600,197</u>	<u>570,914</u>	<u>(29,283)</u>
Change in fund balance	(19,973)	(27,768)	(14,101)	13,667
Fund balance, beginning of year	<u>468,092</u>	<u>468,092</u>	<u>468,092</u>	<u>-</u>
Fund balance, end of year	<u>\$ 448,119</u>	<u>\$ 440,324</u>	<u>\$ 453,991</u>	<u>\$ 13,667</u>

VILLAGE OF LAKEVIEW

SPECIAL REVENUE FUND – MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2013

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
				<i>Final Budget</i>
Revenues:				
Property taxes	\$ 40,000	\$ 43,565	\$ 51,420	\$ 7,855
Federal grants	-	313,683	313,683	-
State grants	78,500	66,500	79,371	12,871
Contributions from other units	70,000	70,000	70,000	-
Interest and rents	3,000	400	325	(75)
Total revenues	191,500	494,148	514,799	20,651
Expenditures:				
Current				
Public works	82,375	92,121	78,291	(13,830)
Capital outlay	120,000	417,318	414,633	(2,685)
Total expenditures	202,375	509,439	492,924	(16,515)
Change in fund balance	(10,875)	(15,291)	21,875	37,166
Fund balance, beginning of year	280,359	280,359	280,359	-
Fund balance, end of year	\$ 269,484	\$ 265,068	\$ 302,234	\$ 37,166

VILLAGE OF LAKEVIEW

SPECIAL REVENUE FUND – LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Actual</i>
	<u>Original</u>	<u>Final</u>		<i>Over (Under)</i>
				<u>Final Budget</u>
Revenues:				
Property taxes	\$ 55,000	\$ 47,164	\$ 42,071	\$ (5,093)
State grants	24,000	26,724	26,293	(431)
Interest and rents	<u>500</u>	<u>100</u>	<u>118</u>	<u>18</u>
Total revenues	<u>79,500</u>	<u>73,988</u>	<u>68,482</u>	<u>(5,506)</u>
Expenditures:				
Current				
Public works	<u>65,865</u>	<u>73,988</u>	<u>63,519</u>	<u>(10,469)</u>
Change in fund balance	13,635	-	4,963	4,963
Fund balance, beginning of year	<u>101,500</u>	<u>101,500</u>	<u>101,500</u>	<u>-</u>
Fund balance, end of year	<u>\$ 115,135</u>	<u>\$ 101,500</u>	<u>\$ 106,463</u>	<u>\$ 4,963</u>

SUPPLEMENTAL INFORMATION

VILLAGE OF LAKEVIEW

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

February 28, 2013

1986 SEWER REVENUE BONDS, SERIES A

Original issue amount	\$	273,000
Less: Principal paid in prior years		(109,000)
Principal paid in current year		<u>(10,000)</u>
Balance payable at February 28, 2013	\$	<u>154,000</u>

Balance payable as follows:

<i>Fiscal</i> <i>Year Ended</i>	<i>Interest</i> <i>Rate</i>	<i>Interest due</i>	<i>Principal due</i>	<i>Total</i> <i>Annual</i> <i>Requirement</i>
2014	6.125%	\$ 9,433	\$ 10,000	\$ 19,433
2015	6.125%	8,820	10,000	18,820
2016	6.125%	8,208	11,000	19,208
2017	6.125%	7,534	11,000	18,534
2018	6.125%	6,860	11,000	17,860
2019	6.125%	6,186	12,000	18,186
2020	6.125%	5,451	12,000	17,451
2021	6.125%	4,716	12,000	16,716
2022	6.125%	3,981	13,000	16,981
2023	6.050%	3,146	13,000	16,146
2024	6.100%	2,379	13,000	15,379
2025	6.100%	1,586	13,000	14,586
2026	6.100%	793	13,000	13,793
		<u>\$ 69,093</u>	<u>\$ 154,000</u>	<u>\$ 223,093</u>

VILLAGE OF LAKEVIEW

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

February 28, 2013

1986 SEWER REVENUE BONDS, SERIES B

Original issue amount	\$	188,000
Less: Principal paid in prior years		(34,000)
Principal paid in current year		<u>(6,000)</u>
Balance payable at February 28, 2013	\$	<u>148,000</u>

Balance payable as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Interest</u> <u>Rate</u>	<u>Interest due</u>	<u>Principal due</u>	<u>Total</u> <u>Annual</u> <u>Requirement</u>
2014	6.125%	\$ 9,065	\$ 6,000	\$ 15,065
2015	6.125%	8,698	8,000	16,698
2016	6.125%	8,208	8,000	16,208
2017	6.125%	7,718	8,000	15,718
2018	6.125%	7,228	11,000	18,228
2019	6.125%	6,554	11,000	17,554
2020	6.125%	5,880	11,000	16,880
2021	6.125%	5,206	13,000	18,206
2022	6.125%	4,410	13,000	17,410
2023	6.050%	3,614	13,000	16,614
2024	6.100%	2,783	15,000	17,783
2025	6.100%	1,891	15,000	16,891
2026	6.100%	976	16,000	16,976
		<u>\$ 72,231</u>	<u>\$ 148,000</u>	<u>\$ 220,231</u>

VILLAGE OF LAKEVIEW

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

February 28, 2013

SANITARY SEWER SYSTEM REVENUE BONDS, SERIES 2001

Original issue amount	\$ 450,000
Less: Principal paid in prior years	(52,000)
Principal paid in current year	<u>(6,000)</u>
Balance payable at February 28, 2013	<u>\$ 392,000</u>

Balance payable as follows:

<i>Fiscal</i> <i>Year Ended</i>	<i>Interest</i> <i>Rate</i>	<i>Interest due</i> <i>August 1</i>	<i>Interest due</i> <i>February 1</i>	<i>Principal due</i> <i>February 1</i>	<i>Total</i> <i>Annual</i> <i>Requirement</i>
2014	5.00%	\$ 9,800	\$ 9,800	\$ 7,000	\$ 26,600
2015	5.00%	9,625	9,625	7,000	26,250
2016	5.00%	9,450	9,450	7,000	25,900
2017	5.00%	9,275	9,275	8,000	26,550
2018	5.00%	9,075	9,075	8,000	26,150
2019	5.00%	8,875	8,875	8,000	25,750
2020	5.00%	8,675	8,675	9,000	26,350
2021	5.00%	8,450	8,450	9,000	25,900
2022	5.00%	8,225	8,225	10,000	26,450
2023	5.00%	7,975	7,975	10,000	25,950
2024	5.00%	7,725	7,725	11,000	26,450
2025	5.00%	7,450	7,450	11,000	25,900
2026	5.00%	7,175	7,175	12,000	26,350
2027	5.00%	6,875	6,875	13,000	26,750
2028	5.00%	6,550	6,550	13,000	26,100
2029	5.00%	6,225	6,225	14,000	26,450
2030	5.00%	5,875	5,875	15,000	26,750
2031	5.00%	5,500	5,500	15,000	26,000
2032	5.00%	5,125	5,125	16,000	26,250
2033	5.00%	4,725	4,725	17,000	26,450
2034	5.00%	4,300	4,300	18,000	26,600
2035	5.00%	3,850	3,850	19,000	26,700
2036	5.00%	3,375	3,375	20,000	26,750
2037	5.00%	2,875	2,875	21,000	26,750
2038	5.00%	2,350	2,350	22,000	26,700
2039	5.00%	1,800	1,800	23,000	26,600
2040	5.00%	1,225	1,225	24,000	26,450
2041	5.00%	625	625	25,000	26,250
		<u>\$ 173,050</u>	<u>\$ 173,050</u>	<u>\$ 392,000</u>	<u>\$ 738,100</u>

VILLAGE OF LAKEVIEW

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

February 28, 2013

WATER SUPPLY SYSTEM REVENUE BONDS, SERIES 1982

Original issue amount	\$ 630,000
Less: Principal paid in prior years	(390,000)
Principal paid in current year	<u>(30,000)</u>
Balance payable at February 28, 2013	<u>\$ 210,000</u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Interest due</u></i>	<i><u>Principal due</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2014	5.000%	\$ 10,500	\$ 30,000	\$ 40,500
2015	5.000%	9,000	30,000	39,000
2016	5.000%	7,500	30,000	37,500
2017	5.000%	6,000	35,000	41,000
2018	5.000%	4,250	35,000	39,250
2019	5.000%	2,500	35,000	37,500
2020	5.000%	<u>750</u>	<u>15,000</u>	<u>15,750</u>
		<u>\$ 40,500</u>	<u>\$ 210,000</u>	<u>\$ 250,500</u>

VILLAGE OF LAKEVIEW

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

February 28, 2013

2000 WATER SUPPLY SYSTEM REVENUE BONDS

Original issue amount	\$ 330,000
Less: Principal paid in prior years	(37,000)
Principal paid in current year	<u>(4,000)</u>
Balance payable at February 28, 2013	<u>\$ 289,000</u>

Balance payable as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Interest</u> <u>Rate</u>	<u>Interest due</u>	<u>Principal due</u>	<u>Total</u> <u>Annual</u> <u>Requirement</u>
2014	5.125%	\$ 14,811	\$ 5,000	\$ 19,811
2015	5.125%	14,555	5,000	19,555
2016	5.125%	14,299	5,000	19,299
2017	5.125%	14,043	6,000	20,043
2018	5.125%	13,735	6,000	19,735
2019	5.125%	13,428	6,000	19,428
2020	5.125%	13,120	6,000	19,120
2021	5.125%	12,813	7,000	19,813
2022	5.125%	12,454	7,000	19,454
2023	5.125%	12,095	8,000	20,095
2024	5.125%	11,685	8,000	19,685
2025	5.125%	11,275	8,000	19,275
2026	5.125%	10,865	9,000	19,865
2027	5.125%	10,404	9,000	19,404
2028	5.125%	9,943	10,000	19,943
2029	5.125%	9,430	10,000	19,430
2030	5.125%	8,918	11,000	19,918
2031	5.125%	8,354	11,000	19,354
2032	5.125%	7,790	12,000	19,790
2033	5.125%	7,175	13,000	20,175
2034	5.125%	6,509	13,000	19,509
2035	5.125%	5,843	14,000	19,843
2036	5.125%	5,125	15,000	20,125
2037	5.125%	4,356	15,000	19,356
2038	5.125%	3,588	16,000	19,588
2039	5.125%	2,768	17,000	19,768
2040	5.125%	1,896	18,000	19,896
2041	5.125%	974	19,000	19,974
		<u>\$ 262,251</u>	<u>\$ 289,000</u>	<u>\$ 551,251</u>



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

To the Members of Village Council
Village of Lakeview, 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, business-type activities, the discretely presented component unit, and each major fund of the Village of Lakeview, as of and for the year ended February 28, 2013, and the related notes to the financial statements, which collectively comprise the Village of Lakeview's basic financial statements, and have issued our report thereon dated May 1, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We identified, and noted below, deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Other material weaknesses may exist that have not been identified.

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

Recording, Processing and Summarizing Accounting Data

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

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

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

To the Honorable President and
Members of the Village Council
Village of Lakeview, Michigan

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

**View of
Responsible
Officials:**

The Village has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the Village to outsource this task to its external auditors and to carefully review, approve, and accept responsibility for all non-attest work performed by the external auditors.

Compliance and Other Matters

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

Purpose of this Report

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

Berthiaume & Co.

Saginaw, Michigan
May 1, 2013