

# **VILLAGE OF LAKEVIEW**

Montcalm County, Michigan

## **FINANCIAL STATEMENTS**

February 28, 2014

# VILLAGE OF LAKEVIEW

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## **INDEPENDENT AUDITORS' REPORT**

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

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, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

## **Other Matters**

### *Required Supplementary Information*

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

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Lakeview's basic financial statements. The schedules of indebtedness are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of indebtedness are the responsibility of management and were derived from and relates 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 schedules of indebtedness 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 May 6, 2014 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 6, 2014

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

# VILLAGE OF LAKEVIEW

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

February 28, 2014

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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

### FINANCIAL HIGHLIGHTS:

- The Village's combined total net position is reported as \$6,159,672 for the fiscal year ended February 28, 2014, compared to \$5,979,753 for the fiscal year ended February 28, 2013.
- In the Village's governmental activities, revenues generated were \$926,111 while expenses totaled \$725,611.
- In the Village's business-type activities, revenues generated were \$392,455 while expenses totaled \$427,921.
- Total net position increased by \$179,919.

### OVERVIEW OF THE FINANCIAL STATEMENTS:

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

#### Government-wide Financial Statements:

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

The government-wide statements of the Village of Lakeview are divided into two categories:

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

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

#### Fund Financial Statements:

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

# VILLAGE OF LAKEVIEW

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

February 28, 2014

The Village has two types of funds:

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

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

The Village maintains three (3) individual governmental funds. Separate information is presented for the General Fund, Major Street Fund, and Local Street Fund, which are considered to be "major" funds. The Village does not have any funds that were considered to be "nonmajor" funds.

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

**Proprietary Funds** – Proprietary funds are used to report services where the Village charges a fee to the customer to recover most or all of the cost of the service rendered. Proprietary funds provide both long- and short-term financial information. The two types of proprietary funds are enterprise and internal service funds.

- Enterprise funds and business-type funds are the same, but the fund statements provide more detail and additional information such as cash flows.

The Village does not have any internal service funds.

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

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

### **Other Information:**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village. The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the required supplementary information.

# VILLAGE OF LAKEVIEW

## MANAGEMENT'S DISCUSSION AND ANALYSIS

February 28, 2014

### THE VILLAGE OF LAKEVIEW AS A WHOLE

The Village's total combined net position for the fiscal year ended February 28, 2014 is \$6,159,672, consisting of \$4,199,231 in governmental activities and \$1,960,441 in business-type activities.

Combined unrestricted net position, that part of net position that can be used to finance day-to-day operations, is \$1,125,338. Governmental activities unrestricted total is \$367,592, while business-type activities is \$757,746.

The following table shows comparisons of total assets, total liabilities, and total net position in a condensed format as of February 28, 2014 and 2013.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Assets:</b>						
Current assets	\$ 855,620	\$ 880,264	\$ 773,312	\$ 784,728	\$ 1,628,932	\$ 1,664,992
Noncurrent assets:						
Other assets	-	-	109,000	109,000	109,000	109,000
Capital assets	<u>3,368,019</u>	<u>3,127,084</u>	<u>2,228,695</u>	<u>2,309,729</u>	<u>5,596,714</u>	<u>5,436,813</u>
Total assets	<u>4,223,639</u>	<u>4,007,348</u>	<u>3,111,007</u>	<u>3,203,457</u>	<u>7,334,646</u>	<u>7,210,805</u>
<b>Liabilities:</b>						
Other liabilities	19,044	17,576	15,566	14,550	34,610	32,126
Long-term liabilities	<u>5,364</u>	<u>5,926</u>	<u>1,135,000</u>	<u>1,193,000</u>	<u>1,140,364</u>	<u>1,198,926</u>
Total liabilities	<u>24,408</u>	<u>23,502</u>	<u>1,150,566</u>	<u>1,207,550</u>	<u>1,174,974</u>	<u>1,231,052</u>
<b>Net position:</b>						
Net investment in capital assets	3,368,019	3,127,084	1,093,695	1,116,729	4,461,714	4,243,813
Restricted	463,620	408,697	109,000	109,000	572,620	517,697
Unrestricted	<u>367,592</u>	<u>448,065</u>	<u>757,746</u>	<u>770,178</u>	<u>1,125,338</u>	<u>1,218,243</u>
Total net position	<u>\$ 4,199,231</u>	<u>\$ 3,983,846</u>	<u>\$ 1,960,441</u>	<u>\$ 1,995,907</u>	<u>\$ 6,159,672</u>	<u>\$ 5,979,753</u>

The Village's combined total net position increased by \$179,919 during the current fiscal year. Governmental activities increased by \$215,385 while business-type activities decreased by \$35,466.

### Governmental Activities:

The Village's total governmental revenue is reported at \$926,111, a decrease of \$95,215 from the prior year.

Total expenses increased by \$64,242 from the prior year.

### Business-type Activities:

Net position for business-type activities decreased by \$35,466 during the year ended February 28, 2014, compared to a \$35,220 increase last year.



# VILLAGE OF LAKEVIEW

## MANAGEMENT'S DISCUSSION AND ANALYSIS

February 28, 2014

The following table shows the comparison of the change in net position in a condensed format as of February 28, 2014 and 2013.

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 183,857	\$ 132,901	\$ 390,588	\$ 391,099	\$ 574,445	\$ 524,000
Operating grants	116,483	107,805	-	5,424	116,483	113,229
Capital grants	235,300	393,683	-	-	235,300	393,683
General revenues						
Property taxes	282,008	281,118	-	-	282,008	281,118
Franchise fees	2,690	3,391	-	-	2,690	3,391
State revenue sharing	99,361	96,285	-	-	99,361	96,285
Investment earnings	3,675	3,697	1,867	2,906	5,542	6,603
Other	2,737	2,446	-	-	2,737	2,446
Total revenues	<u>926,111</u>	<u>1,021,326</u>	<u>392,455</u>	<u>399,429</u>	<u>1,318,566</u>	<u>1,420,755</u>
<b>Expenses:</b>						
General government	151,107	122,259	-	-	151,107	122,259
Public safety	171,067	148,684	-	-	171,067	148,684
Public works	352,972	345,468	-	-	352,972	345,468
Community and economic development	11,127	5,291	-	-	11,127	5,291
Recreation and culture	39,338	39,667	-	-	39,338	39,667
Sewer	-	-	254,191	195,486	254,191	195,486
Water	-	-	173,730	168,723	173,730	168,723
Total expenses	<u>725,611</u>	<u>661,369</u>	<u>427,921</u>	<u>364,209</u>	<u>1,153,532</u>	<u>1,025,578</u>
Excess of revenues over expenses before other	<u>200,500</u>	<u>359,957</u>	<u>(35,466)</u>	<u>35,220</u>	<u>165,034</u>	<u>395,177</u>
<b>Other items:</b>						
Gain on capital assets	<u>14,885</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>14,885</u>	<u>4,000</u>
<b>Changes in net position</b>	<u>215,385</u>	<u>363,957</u>	<u>(35,466)</u>	<u>35,220</u>	<u>179,919</u>	<u>399,177</u>
Net position, beginning 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>
Net position, end of year	<u>\$ 4,199,231</u>	<u>\$ 3,983,846</u>	<u>\$ 1,960,441</u>	<u>\$ 1,995,907</u>	<u>\$ 6,159,672</u>	<u>\$ 5,979,753</u>

### THE VILLAGE OF LAKEVIEW'S FUNDS

Presentation of the Village of Lakeview's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. Funds are created to help manage money for specific purposes, as well as show accountability for certain activities, such as specific property tax millages and restricted receipts from Federal and State sources.

# VILLAGE OF LAKEVIEW

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

February 28, 2014

### **THE VILLAGE OF LAKEVIEW'S FUNDS, continued:**

The General Fund is the Village's largest governmental fund and one of three governmental funds that is considered a major fund. It pays for most of the Village's government services. Its major components of revenue are property taxes and state shared revenue. For the year ended February 28, 2014, General Fund financing uses exceeded its financing sources by \$81,035, decreasing its ending fund balance to \$372,956. The Village's second major governmental fund, the Major Street Fund was able to increase its ending fund balance by \$31,173. The Village's third major governmental fund, the Local Street Fund was also able to increase its ending fund balance by \$23,750.

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

The General Fund adopted budget projected for a net decrease in fund balance of \$199,200. During the year, the Village made budget amendments that changed the projected decrease of fund balance to \$63,216. The actual results for the year yielded a decrease in fund balance of \$81,035.

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

At February 28, 2014, the Village of Lakeview had \$5,596,714 invested in a broad range of capital assets including land, land improvements, buildings, equipment, vehicles, water and sewer lines, and other infrastructure, net of accumulated depreciation. Last year this total was \$5,436,813. Additional information about the Village's capital assets is presented in Note 1 and Note 4 of the Notes to the Financial Statements.

At February 28, 2014, the Village of Lakeview's total bonded indebtedness was \$1,135,000, which is backed by specific revenue sources. Additional information about the Village's indebtedness is presented in Note 5 of the Notes to the Financial Statements.

### **Economic Factors:**

We are continuing to plan for the long term, and will continue to balance the budgets through controls 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, 2014

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<b>Assets:</b>				
Cash and cash equivalents	\$ 785,410	\$ 742,055	\$ 1,527,465	\$ 145,112
Receivables	61,601	31,257	92,858	46,058
Inventory	-	-	-	-
Prepaid expenses	8,609	-	8,609	-
Restricted cash and cash equivalents	-	109,000	109,000	-
Capital assets:				
Nondepreciable capital assets	567,917	-	567,917	129,477
Depreciable capital assets, net	<u>2,800,102</u>	<u>2,228,695</u>	<u>5,028,797</u>	<u>563,117</u>
Total assets	<u>4,223,639</u>	<u>3,111,007</u>	<u>7,334,646</u>	<u>883,764</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	19,044	15,566	34,610	-
Long-term liabilities:				
Due within one year	-	60,000	60,000	-
Due in more than one year	<u>5,364</u>	<u>1,075,000</u>	<u>1,080,364</u>	<u>-</u>
Total liabilities	<u>24,408</u>	<u>1,150,566</u>	<u>1,174,974</u>	<u>-</u>
<b>Net position:</b>				
Net investment in capital assets	3,368,019	1,093,695	4,461,714	692,594
Restricted for:				
Debt service	-	109,000	109,000	-
Streets	463,620	-	463,620	-
Unrestricted	<u>367,592</u>	<u>757,746</u>	<u>1,125,338</u>	<u>191,170</u>
Total net position	<u>\$ 4,199,231</u>	<u>\$ 1,960,441</u>	<u>\$ 6,159,672</u>	<u>\$ 883,764</u>

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

# VILLAGE OF LAKEVIEW

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## STATEMENT OF ACTIVITIES

Year Ended February 28, 2014

	<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>	
<b>Functions/Programs</b>					
<b>PRIMARY GOVERNMENT:</b>					
<i>Governmental activities:</i>					
General government	\$ 151,107	\$ 121,413	\$ -	\$ -	\$ (29,694)
Public safety	171,067	21,265	2,185	-	(147,617)
Public works	352,972	40,754	114,298	135,300	(62,620)
Community and economic development	11,127	425	-	-	(10,702)
Recreation and culture	39,338	-	-	100,000	60,662
Total governmental activities	<u>725,611</u>	<u>183,857</u>	<u>116,483</u>	<u>235,300</u>	<u>(189,971)</u>
<i>Business-type activities:</i>					
Sewer	254,191	213,363	-	-	(40,828)
Water	173,730	177,225	-	-	3,495
Total business-type activities	<u>427,921</u>	<u>390,588</u>	<u>-</u>	<u>-</u>	<u>(37,333)</u>
Total primary government	<u>\$1,153,532</u>	<u>\$ 574,445</u>	<u>\$ 116,483</u>	<u>\$ 235,300</u>	<u>\$ (227,304)</u>
<b>COMPONENT UNIT:</b>					
Downtown development authority	<u>\$ 169,866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (169,866)</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 position:</i>				
Net (Expense) Revenue	\$ (189,971)	\$ (37,333)	\$ (227,304)	\$ (169,866)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	168,466	-	168,466	-
Property taxes, levied for cemetery	19,338	-	19,338	-
Property taxes, levied for streets	94,204	-	94,204	-
Property taxes, captured	-	-	-	124,911
Franchise fees	2,690	-	2,690	-
Grants and contributions not restricted to specific programs	99,361	-	99,361	-
Unrestricted investment earnings	3,675	1,867	5,542	235
Other	2,737	-	2,737	-
Special item - Gain on capital asset	14,885	-	14,885	-
Total general revenues and special item	<u>405,356</u>	<u>1,867</u>	<u>407,223</u>	<u>125,146</u>
Changes in net position	215,385	(35,466)	179,919	(44,720)
Net position, beginning of year	<u>3,983,846</u>	<u>1,995,907</u>	<u>5,979,753</u>	<u>928,484</u>
Net position, end of year	<u>\$ 4,199,231</u>	<u>\$ 1,960,441</u>	<u>\$ 6,159,672</u>	<u>\$ 883,764</u>

# VILLAGE OF LAKEVIEW

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## GOVERNMENTAL FUNDS

### BALANCE SHEET

February 28, 2014

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Total</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 343,987	\$ 318,165	\$ 123,258	\$ 785,410
Accounts receivable	1,499	-	-	1,499
Due from other governmental units	34,702	17,658	7,742	60,102
Prepaid expenditures	<u>8,609</u>	<u>-</u>	<u>-</u>	<u>8,609</u>
Total assets	<u>\$ 388,797</u>	<u>\$ 335,823</u>	<u>\$ 131,000</u>	<u>\$ 855,620</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 5,939	\$ 865	\$ 273	\$ 7,077
Accrued expenses	<u>9,902</u>	<u>1,551</u>	<u>514</u>	<u>11,967</u>
Total liabilities	<u>15,841</u>	<u>2,416</u>	<u>787</u>	<u>19,044</u>
<b>Fund balances:</b>				
Nonspendable:				
Prepaid expenditures	8,609	-	-	8,609
Restricted for:				
Streets	-	333,407	130,213	463,620
Committed to:				
Property replacement	113,751	-	-	113,751
Unassigned	<u>250,596</u>	<u>-</u>	<u>-</u>	<u>250,596</u>
Total fund balances	<u>372,956</u>	<u>333,407</u>	<u>130,213</u>	<u>836,576</u>
Total liabilities and fund balances	<u>\$ 388,797</u>	<u>\$ 335,823</u>	<u>\$ 131,000</u>	<u>\$ 855,620</u>

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

# VILLAGE OF LAKEVIEW

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

February 28, 2014

<b>Fund balances for governmental funds</b>		\$ 836,576
Net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	4,205,778	
Less accumulated depreciation	<u>(837,759)</u>	3,368,019
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>(5,364)</u>
<b>Net position of governmental activities</b>		<u><u>\$ 4,199,231</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, 2014

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Total</i>
<b>Revenues:</b>				
Property taxes	\$ 187,804	\$ 37,704	\$ 56,500	\$ 282,008
Licenses and permits	2,690	-	-	2,690
Federal grants	14,000	-	-	14,000
State grants	101,546	84,015	30,283	215,844
Contributions from other units	135,197	-	-	135,197
Charges for services	206,357	-	-	206,357
Fines and forfeits	2,952	-	-	2,952
Interest and rents	90,986	270	91	91,347
Other revenue	123,622	-	-	123,622
Total revenues	<u>865,154</u>	<u>121,989</u>	<u>86,874</u>	<u>1,074,017</u>
<b>Expenditures:</b>				
Current				
General government	204,699	-	-	204,699
Public safety	162,865	-	-	162,865
Public works	166,805	90,816	63,124	320,745
Community and economic development	11,127	-	-	11,127
Recreation and culture	29,458	-	-	29,458
Capital outlay	371,235	-	-	371,235
Total expenditures	<u>946,189</u>	<u>90,816</u>	<u>63,124</u>	<u>1,100,129</u>
Changes in fund balances	(81,035)	31,173	23,750	(26,112)
Fund balances, beginning of year	<u>453,991</u>	<u>302,234</u>	<u>106,463</u>	<u>862,688</u>
Fund balances, end of year	<u>\$ 372,956</u>	<u>\$ 333,407</u>	<u>\$ 130,213</u>	<u>\$ 836,576</u>

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

# VILLAGE OF LAKEVIEW

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

Year Ended February 28, 2014

**Changes in fund balances - total governmental funds** \$ (26,112)

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	353,538	
Less depreciation expense	<u>(112,603)</u>	240,935

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>562</u>
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**Change in net position of governmental activities** \$ 215,385

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

# VILLAGE OF LAKEVIEW

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## PROPRIETARY FUNDS

### STATEMENT OF NET POSITION

February 28, 2014

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 310,897	\$ 431,158	\$ 742,055
Accounts receivable	17,317	13,940	31,257
Total current assets	<u>328,214</u>	<u>445,098</u>	<u>773,312</u>
<b>Noncurrent assets:</b>			
Restricted cash and cash equivalents	54,000	55,000	109,000
Capital assets:			
Depreciable capital assets, net	<u>1,277,729</u>	<u>950,966</u>	<u>2,228,695</u>
Total noncurrent assets	<u>1,331,729</u>	<u>1,005,966</u>	<u>2,337,695</u>
Total assets	<u>1,659,943</u>	<u>1,451,064</u>	<u>3,111,007</u>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	1,117	555	1,672
Accrued expenses	936	869	1,805
Accrued interest payable	4,524	7,565	12,089
Current portion of long-term debt, payable from restricted assets	<u>25,000</u>	<u>35,000</u>	<u>60,000</u>
Total current liabilities	<u>31,577</u>	<u>43,989</u>	<u>75,566</u>
<b>Noncurrent liabilities:</b>			
Long-term debt	<u>646,000</u>	<u>429,000</u>	<u>1,075,000</u>
Total liabilities	<u>677,577</u>	<u>472,989</u>	<u>1,150,566</u>
<b>Net position:</b>			
Net investment in capital assets	606,729	486,966	1,093,695
Restricted for:			
Debt service	54,000	55,000	109,000
Unrestricted	<u>321,637</u>	<u>436,109</u>	<u>757,746</u>
Total net position	<u>\$ 982,366</u>	<u>\$ 978,075</u>	<u>\$ 1,960,441</u>

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, 2014

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b>Operating revenues:</b>			
Charges for services	\$ 213,363	\$ 175,965	\$ 389,328
Other	-	1,260	1,260
Total operating revenues	<u>213,363</u>	<u>177,225</u>	<u>390,588</u>
<b>Operating expenses:</b>			
Personnel	22,038	21,902	43,940
Fringe benefits	8,977	9,040	18,017
Supplies	11,810	6,632	18,442
Contracted services	20,853	2,456	23,309
Administrative expense	36,479	36,479	72,958
Dues, licenses and permits	2,853	103	2,956
Printing and publishing	-	240	240
Utilities	28,808	13,727	42,535
Repairs and maintenance	350	-	350
Equipment rental	10,369	9,320	19,689
Other services and supplies	8,072	25	8,097
Depreciation	64,860	48,979	113,839
Total operating expenses	<u>215,469</u>	<u>148,903</u>	<u>364,372</u>
Operating income	<u>(2,106)</u>	<u>28,322</u>	<u>26,216</u>
<b>Non-operating revenues (expenses):</b>			
Interest income	555	1,312	1,867
Interest expense	<u>(38,722)</u>	<u>(24,827)</u>	<u>(63,549)</u>
Net non-operating revenues (expenses)	<u>(38,167)</u>	<u>(23,515)</u>	<u>(61,682)</u>
Change in net position	(40,273)	4,807	(35,466)
Net position, beginning of year	<u>1,022,639</u>	<u>973,268</u>	<u>1,995,907</u>
Net position, end of year	<u>\$ 982,366</u>	<u>\$ 978,075</u>	<u>\$ 1,960,441</u>

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

# VILLAGE OF LAKEVIEW

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## PROPRIETARY FUNDS

### STATEMENT OF CASH FLOWS

Year Ended February 28, 2014

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 212,141	\$ 178,639	\$ 390,780
Cash payments to employees	(22,038)	(21,902)	(43,940)
Cash payments to suppliers for goods and services	(128,209)	(77,636)	(205,845)
Net cash provided by operating activities	<u>61,894</u>	<u>79,101</u>	<u>140,995</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(32,805)	-	(32,805)
Principal payments	(23,000)	(35,000)	(58,000)
Interest paid	(38,098)	(25,183)	(63,281)
Net cash used by capital and related financing activities	<u>(93,903)</u>	<u>(60,183)</u>	<u>(154,086)</u>
<b>Cash flows from investing activities:</b>			
Interest received	<u>555</u>	<u>1,312</u>	<u>1,867</u>
Net increase (decrease) in cash and cash equivalents	(31,454)	20,230	(11,224)
Cash and cash equivalents, beginning of year	<u>396,351</u>	<u>465,928</u>	<u>862,279</u>
Cash and cash equivalents, end of year	<u>\$ 364,897</u>	<u>\$ 486,158</u>	<u>\$ 851,055</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ (2,106)	\$ 28,322	\$ 26,216
Adjustments:			
Depreciation	64,860	48,979	113,839
Change in assets and liabilities:			
Accounts receivable	(1,222)	1,414	192
Accounts payable	65	154	219
Accrued expenses	297	232	529
Net cash provided by operating activities	<u>\$ 61,894</u>	<u>\$ 79,101</u>	<u>\$ 140,995</u>

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

***NOTES TO FINANCIAL STATEMENTS***

# VILLAGE OF LAKEVIEW

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## NOTES TO FINANCIAL STATEMENTS

February 28, 2014

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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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, these financial statements of the reporting entity include those of the Village and its component unit, an entity for which the Village is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that is legally separate from the Village and separate financial statements are not issued for the component unit.

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

**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:**

**Lakeview Hospital Finance Authority** – 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.

#### **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 financial statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the Downtown Development Authority, a legally separate component unit for which the primary government is financially accountable.

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

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

# VILLAGE OF LAKEVIEW

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## NOTES TO FINANCIAL STATEMENTS

February 28, 2014

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

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

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

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

The Village reports the following major proprietary funds:

**Enterprise Fund – Sewer Fund** – The Sewer Fund accounts for the operation and maintenance of the Village’s sewage disposal system.

**Enterprise Fund – Water Fund** – The Water Fund account for the operation and maintenance of the Village’s water supply system.

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



# VILLAGE OF LAKEVIEW

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## NOTES TO FINANCIAL STATEMENTS

February 28, 2014

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

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Amounts reported as program revenue 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 revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the Village's policy is to first apply restricted resources. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the Village's policy to spend funds in this order: committed, assigned, and unassigned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

**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.

**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** – Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are defined by the Village as assets with an individual cost in excess of \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

# VILLAGE OF LAKEVIEW

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## NOTES TO FINANCIAL STATEMENTS

February 28, 2014

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

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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.

**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. 63 and Statement No. 65, bond premiums and discounts, as well as bond issuance costs, are recognized in the current period.

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

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

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

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

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

# VILLAGE OF LAKEVIEW

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## NOTES TO FINANCIAL STATEMENTS

February 28, 2014

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

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

***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 2013 taxable valuation of the Village totaled \$23,846,411 (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.

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

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

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

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#### **Budgetary Information:**

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.

# VILLAGE OF LAKEVIEW

## NOTES TO FINANCIAL STATEMENTS

February 28, 2014

### 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 \$1,789,883 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.

### NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2014 was as follows:

	<u>March 1,</u> <u>2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>February 28,</u> <u>2014</u>
<b>Governmental activities:</b>				
<i>Nondepreciable capital assets:</i>				
Land	\$ 485,908	\$ 82,009	\$ -	\$ 567,917
<i>Depreciable capital assets:</i>				
Buildings and improvements	935,399	-	-	935,399
Infrastructure	1,895,152	-	-	1,895,152
Land improvements	31,877	214,357	-	246,234
Vehicles and equipment	537,700	57,172	(33,796)	561,076
Total depreciable capital assets	3,400,128	271,529	(33,796)	3,637,861
Accumulated depreciation	(758,952)	(112,603)	33,796	(837,759)
Depreciable capital assets, net	2,641,176	158,926	-	2,800,102
Governmental activities, capital assets, net	<u>\$ 3,127,084</u>	<u>\$ 240,935</u>	<u>\$ -</u>	<u>\$ 3,368,019</u>

# VILLAGE OF LAKEVIEW

## NOTES TO FINANCIAL STATEMENTS

February 28, 2014

### NOTE 4: CAPITAL ASSETS, CONTINUED

	<u>March 1,</u> <u>2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>February 28,</u> <u>2014</u>
<b>Business-type activities:</b>				
<i>Depreciable capital assets:</i>				
Equipment	\$ 121,005	\$ -	\$ -	\$ 121,005
Land improvements	15,480	-	-	15,480
Sewer system	2,791,916	32,805	-	2,824,721
Water system	2,148,395	-	-	2,148,395
Total depreciable capital assets	5,076,796	32,805	-	5,109,601
Accumulated depreciation	(2,767,067)	(113,839)	-	(2,880,906)
Depreciable capital assets, net	2,309,729	(81,034)	-	2,228,695
Business-type activities, capital assets, net	<u>\$ 2,309,729</u>	<u>\$ (81,034)</u>	<u>\$ -</u>	<u>\$ 2,228,695</u>
<b>Component unit - DDA:</b>				
<i>Nondepreciable capital assets:</i>				
Land	\$ 129,477	\$ -	\$ -	\$ 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	(200,192)	(17,992)	-	(218,184)
Depreciable capital assets, net	581,109	(17,992)	-	563,117
Component unit - DDA, capital assets, net	<u>\$ 710,586</u>	<u>\$ (17,992)</u>	<u>\$ -</u>	<u>\$ 692,594</u>

Depreciation expense was charged to functions as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Component</u> <u>Unit</u>
General government	\$ 4,843	\$ -	\$ -
Public safety	6,406	-	-
Public works	91,474	-	-
Community and economic development	-	-	17,992
Recreation and culture	9,880	-	-
Sewer	-	64,860	-
Water	-	48,979	-
Total depreciation expense	<u>\$ 112,603</u>	<u>\$ 113,839</u>	<u>\$ 17,992</u>

# VILLAGE OF LAKEVIEW

## NOTES TO FINANCIAL STATEMENTS

February 28, 2014

### NOTE 5: 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, 2014:

	<u>March 1,</u> <u>2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>February 28,</u> <u>2014</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental activities:</b>					
Compensated absences	\$ 5,926	\$ -	\$ (562)	\$ 5,364	\$ -
Total governmental activities					
- long-term liabilities	<u>\$ 5,926</u>	<u>\$ -</u>	<u>\$ (562)</u>	<u>\$ 5,364</u>	<u>\$ -</u>
<b>Business-type activities:</b>					
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.	\$ 154,000	\$ -	\$ (10,000)	\$ 144,000	\$ 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.	148,000	-	(6,000)	142,000	8,000
2001 Sanitary Sewer System Revenue Bonds, due in annual amounts ranging from \$5,000 to \$25,000 plus interest at 5.0% through 2041.	392,000	-	(7,000)	385,000	7,000
1982 Water Revenue Bonds, due in annual amounts ranging from \$15,000 to \$35,000 plus interest at 5.0% through 2020.	210,000	-	(30,000)	180,000	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>289,000</u>	<u>-</u>	<u>(5,000)</u>	<u>284,000</u>	<u>5,000</u>
Total business-type activities					
- long-term liabilities	<u>\$ 1,193,000</u>	<u>\$ -</u>	<u>\$ (58,000)</u>	<u>\$ 1,135,000</u>	<u>\$ 60,000</u>

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

# VILLAGE OF LAKEVIEW

## NOTES TO FINANCIAL STATEMENTS

February 28, 2014

### NOTE 5: LONG-TERM LIABILITIES, CONTINUED

Annual debt service requirements to maturity for all outstanding debt (excluding compensated absences payable) as of February 28, 2014 are as follows:

<i>Fiscal</i> <u>Year Ended</u>	<i>Business-type Activities</i>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	72,000	46,418	118,418
2020-2024	228,000	186,583	414,583
2025-2029	166,000	125,713	291,713
2030-2034	141,000	89,796	230,796
2035-2039	182,000	50,180	232,180
2040-2041	86,000	6,570	92,570
	<u>\$ 1,135,000</u>	<u>\$ 726,766</u>	<u>\$ 1,861,766</u>

### NOTE 6: 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</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Component</u> <u>Unit</u>
<b>Receivables:</b>				
Property taxes receivable	\$ -	\$ -	\$ -	\$ 46,058
Accounts receivable	1,499	31,257	32,756	-
Intergovernmental	60,102	-	60,102	-
Total receivables	<u>\$ 61,601</u>	<u>\$ 31,257</u>	<u>\$ 92,858</u>	<u>\$ 46,058</u>
<b>Accounts payable and accrued expenses:</b>				
Accounts payable	\$ 7,077	\$ 1,672	\$ 8,749	\$ -
Accrued payroll and related liabilities	11,967	1,805	13,772	-
Accrued interest payable	-	12,089	12,089	-
Total accounts payable and accrued expenses	<u>\$ 19,044</u>	<u>\$ 15,566</u>	<u>\$ 34,610</u>	<u>\$ -</u>

### NOTE 7: 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.

# VILLAGE OF LAKEVIEW

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## NOTES TO FINANCIAL STATEMENTS

February 28, 2014

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### NOTE 8: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

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#### 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.

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### NOTE 9: SUBSEQUENT EVENTS

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***Bond Issues*** – On March 21, 2014, the Village issued two refunding bond issues: the Sanitary Sewer System Revenue Refunding Bond, Series 2014 with a par amount of \$695,000 and the Water Supply System Revenue Refunding Bond, Series 2014 with a par amount of \$485,000.

***Defeasance of Debt*** – On March 21, 2014, the Village deposited \$677,654, of the \$695,000 refunding bond proceeds, into an Escrow Fund to defease the outstanding 1986A, 1986B and 2001 Rural Development Sewer Revenue Bonds. To accomplish the defeasance, it is necessary for the Village to call the Outstanding Bonds for redemption on March 24, 2014. The funds deposited into the Escrow Fund will be used for the payment of principal and interest and redemption premium on the Outstanding Bonds on the Call Date. The net present value of savings on the defeasance of the debt is \$106,614.

***Defeasance of Debt*** – On March 21, 2014, the Village deposited \$473,036, of the \$485,000 refunding bond proceeds, into an Escrow Fund to defease the outstanding 1982 and 2000 USDA Water Revenue Bonds. To accomplish the defeasance, it is necessary for the Village to call the Outstanding Bonds for redemption on March 24, 2014. The funds deposited into the Escrow Fund will be used for the payment of principal and interest and redemption premium on the Outstanding Bonds on the Call Date. The net present value of savings on the defeasance of the debt is \$50,756.



***REQUIRED SUPPLEMENTARY INFORMATION***

# VILLAGE OF LAKEVIEW

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2014

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
				<i>Final Budget</i>
<b>Revenues:</b>				
Property taxes	\$ 186,957	\$ 187,803	\$ 187,804	\$ 1
Licenses and permits	5,000	2,022	2,690	668
Federal grants	-	15,000	14,000	(1,000)
State grants	99,000	100,742	101,546	804
Contributions from other units	-	135,294	135,197	(97)
Charges for services	159,032	193,029	206,357	13,328
Fines and forfeits	3,000	2,951	2,952	1
Interest and rents	12,300	11,861	90,986	79,125
Other revenue	2,500	234,642	123,622	(111,020)
Total revenues	467,789	883,344	865,154	(18,190)
<b>Expenditures:</b>				
Current				
General government	172,766	204,706	204,699	(7)
Public safety	161,750	163,119	162,865	(254)
Public works	234,863	166,875	166,805	(70)
Community and economic development	8,320	11,139	11,127	(12)
Recreation and culture	22,590	29,484	29,458	(26)
Capital outlay	51,700	371,237	371,235	(2)
Total expenditures	651,989	946,560	946,189	(371)
Excess (deficiency) of revenues over expenditures	(184,200)	(63,216)	(81,035)	(17,819)
<b>Other financing sources (uses):</b>				
Transfers from (to) other funds	(15,000)	-	-	-
Change in fund balance	(199,200)	(63,216)	(81,035)	(17,819)
Fund balance, beginning of year	453,991	453,991	453,991	-
Fund balance, end of year	\$ 254,791	\$ 390,775	\$ 372,956	\$ (17,819)

# VILLAGE OF LAKEVIEW

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## SPECIAL REVENUE FUND – MAJOR STREET FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Actual</i>
	<u>Original</u>	<u>Final</u>		<i>Over (Under)</i>
				<u>Final Budget</u>
<b>Revenues:</b>				
Property taxes	\$ 44,000	\$ 37,704	\$ 37,704	\$ -
State grants	66,500	66,356	84,015	17,659
Interest and rents	<u>400</u>	<u>250</u>	<u>270</u>	<u>20</u>
Total revenues	<u>110,900</u>	<u>104,310</u>	<u>121,989</u>	<u>17,679</u>
<b>Expenditures:</b>				
Current				
Public works	<u>71,182</u>	<u>90,876</u>	<u>90,816</u>	<u>(60)</u>
Change in fund balance	39,718	13,434	31,173	17,739
Fund balance, beginning of year	<u>302,234</u>	<u>302,234</u>	<u>302,234</u>	<u>-</u>
Fund balance, end of year	<u>\$ 341,952</u>	<u>\$ 315,668</u>	<u>\$ 333,407</u>	<u>\$ 17,739</u>

# VILLAGE OF LAKEVIEW

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## SPECIAL REVENUE FUND – LOCAL STREET FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Actual</i>
	<u>Original</u>	<u>Final</u>		<i>Over (Under)</i>
				<u>Final Budget</u>
<b>Revenues:</b>				
Property taxes	\$ 50,000	\$ 56,500	\$ 56,500	\$ -
State grants	20,000	22,542	30,283	7,741
Interest and rents	<u>175</u>	<u>84</u>	<u>91</u>	<u>7</u>
Total revenues	<u>70,175</u>	<u>79,126</u>	<u>86,874</u>	<u>7,748</u>
<b>Expenditures:</b>				
Current				
Public works	<u>56,703</u>	<u>63,129</u>	<u>63,124</u>	<u>(5)</u>
Change in fund balance	13,472	15,997	23,750	7,753
Fund balance, beginning of year	<u>106,463</u>	<u>106,463</u>	<u>106,463</u>	<u>-</u>
Fund balance, end of year	<u>\$ 119,935</u>	<u>\$ 122,460</u>	<u>\$ 130,213</u>	<u>\$ 7,753</u>

***OTHER SUPPLEMENTARY INFORMATION***

# VILLAGE OF LAKEVIEW

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## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

February 28, 2014

#### 1986 SEWER REVENUE BONDS, SERIES A

Original issue amount	\$ 273,000
Less: Principal paid in prior years	(119,000)
Principal paid in current year	<u>(10,000)</u>
Balance payable at February 28, 2014	<u>\$ 144,000</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>
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>\$ 59,660</u>	<u>\$ 144,000</u>	<u>\$ 203,660</u>

# VILLAGE OF LAKEVIEW

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## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

February 28, 2014

#### 1986 SEWER REVENUE BONDS, SERIES B

Original issue amount	\$ 188,000
Less: Principal paid in prior years	(40,000)
Principal paid in current year	<u>(6,000)</u>
Balance payable at February 28, 2014	<u>\$ 142,000</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>
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>\$ 63,166</u>	<u>\$ 142,000</u>	<u>\$ 205,166</u>

# VILLAGE OF LAKEVIEW

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## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

February 28, 2014

#### SANITARY SEWER SYSTEM REVENUE BONDS, SERIES 2001

Original issue amount	\$ 450,000
Less: Principal paid in prior years	(58,000)
Principal paid in current year	<u>(7,000)</u>
Balance payable at February 28, 2014	<u>\$ 385,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Interest due August 1</i>	<i>Interest due February 1</i>	<i>Principal due February 1</i>	<i>Total Annual Requirement</i>
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>\$ 163,250</u>	<u>\$ 163,250</u>	<u>\$ 385,000</u>	<u>\$ 711,500</u>



# VILLAGE OF LAKEVIEW

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## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

February 28, 2014

#### WATER SUPPLY SYSTEM REVENUE BONDS, SERIES 1982

Original issue amount	\$	630,000
Less: Principal paid in prior years		(420,000)
Principal paid in current year		<u>(30,000)</u>
Balance payable at February 28, 2014	\$	<u>180,000</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>
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>\$ 30,000</u>	<u>\$ 180,000</u>	<u>\$ 210,000</u>

# VILLAGE OF LAKEVIEW

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## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

February 28, 2014

#### 2000 WATER SUPPLY SYSTEM REVENUE BONDS

Original issue amount	\$ 330,000
Less: Principal paid in prior years	(41,000)
Principal paid in current year	<u>(5,000)</u>
Balance payable at February 28, 2014	<u>\$ 284,000</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>
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>\$ 247,440</u>	<u>\$ 284,000</u>	<u>\$ 531,440</u>



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

To the Members of Village Council  
Village of 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, 2014, 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 6, 2014.

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

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

**Recording, Processing and Summarizing Accounting Data**

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

**Conditions:** As is the case with many smaller and medium-sized entities, the 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.

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

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

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

**View of Responsible Officials:** The Village has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the Village to 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 6, 2014