

VILLAGE OF LAKEVIEW

Montcalm County, Michigan

FINANCIAL STATEMENTS

February 29, 2020

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 29, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 29, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 33 through 37) 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 June 1, 2020 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
June 1, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF LAKEVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 29, 2020

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 29, 2020. 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 \$7,274,961 for the fiscal year ended February 29, 2020, compared to \$7,005,593 for the fiscal year ended February 28, 2019.
- In the Village's governmental activities, revenues generated were \$1,311,831 while expenses totaled \$815,326.
- In the Village's business-type activities, revenues generated were \$960,465 while expenses totaled \$1,186,212.
- Total net position increased by \$269,368.

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.

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

VILLAGE OF LAKEVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 29, 2020

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.

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 four (4) individual governmental funds. Separate information is presented for the General Fund, Major Street Fund, Local Street Fund and Municipal Street Fund which are considered to be "major" 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. The Village does not have any 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.

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 VILLAGE OF LAKEVIEW AS A WHOLE:

The Village's total combined net position for the fiscal year ended February 29, 2020 is \$7,274,961 consisting of \$5,685,298 in governmental activities and \$1,589,663 in business-type activities.

Combined unrestricted net position, that part of net position that can be used to finance day-to-day operations, is \$785,718. Governmental activities unrestricted total is \$514,306, while business-type activities is \$271,412.

VILLAGE OF LAKEVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 29, 2020

The following table shows comparisons of total assets, total liabilities, and total net position in a condensed format as of February 29, 2020 and February 28, 2019.

| | <i>Governmental</i> | | <i>Business-type</i> | | <i>Total</i> | |
|----------------------------------|---------------------|---------------------|----------------------|---------------------|---------------------|---------------------|
| | <i>Activities</i> | | <i>Activities</i> | | | |
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Assets: | | | | | | |
| Current assets | \$ 1,569,221 | \$ 1,510,973 | \$ 288,188 | \$ 510,125 | \$ 1,857,409 | \$ 2,021,098 |
| Noncurrent assets: | | | | | | |
| Other assets | - | - | 109,000 | 109,000 | 109,000 | 109,000 |
| Capital assets, net | <u>4,400,266</u> | <u>3,997,599</u> | <u>1,824,251</u> | <u>1,941,684</u> | <u>6,224,517</u> | <u>5,939,283</u> |
| Total assets | <u>5,969,487</u> | <u>5,508,572</u> | <u>2,221,439</u> | <u>2,560,809</u> | <u>8,190,926</u> | <u>8,069,381</u> |
| Liabilities: | | | | | | |
| Other liabilities | 17,581 | 19,711 | 16,776 | 40,399 | 34,357 | 60,110 |
| Long-term liabilities | <u>266,608</u> | <u>298,678</u> | <u>615,000</u> | <u>705,000</u> | <u>881,608</u> | <u>1,003,678</u> |
| Total liabilities | <u>284,189</u> | <u>318,389</u> | <u>631,776</u> | <u>745,399</u> | <u>915,965</u> | <u>1,063,788</u> |
| Net position: | | | | | | |
| Net investment in capital assets | 4,150,958 | 3,710,892 | 1,209,251 | 1,236,684 | 5,360,209 | 4,947,576 |
| Restricted | 1,020,034 | 1,017,930 | 109,000 | 109,000 | 1,129,034 | 1,126,930 |
| Unrestricted | <u>514,306</u> | <u>461,361</u> | <u>271,412</u> | <u>469,726</u> | <u>785,718</u> | <u>931,087</u> |
| Total net position | <u>\$ 5,685,298</u> | <u>\$ 5,190,183</u> | <u>\$ 1,589,663</u> | <u>\$ 1,815,410</u> | <u>\$ 7,274,961</u> | <u>\$ 7,005,593</u> |

The Village's combined total net position increased by \$239,368 during the current fiscal year. Governmental activities increased by \$495,115 while business-type activities decreased by \$225,747.

Governmental Activities:

The Village's total governmental revenue is reported at \$1,311,831, an increase of \$462,943 from the prior year. Total expenses decreased by \$36,755.

Business-type Activities:

The Village's total business-type revenue is reported at \$960,465, an increase of \$545,429 from the prior year. Total expenses increased by \$639,696 from the prior year.

VILLAGE OF LAKEVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 29, 2020

The following table shows the comparison of the change in net position in a condensed format for the years ended February 29, 2020 and February 28, 2019.

| | <i>Governmental</i> | | <i>Business-type</i> | | <i>Total</i> | |
|---|---------------------|---------------------|----------------------|---------------------|---------------------|---------------------|
| | <i>Activities</i> | | <i>Activities</i> | | | |
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 174,108 | \$ 193,380 | \$ 953,629 | \$ 408,195 | \$ 1,127,737 | \$ 601,575 |
| Operating grants | 186,616 | 200,971 | - | 5,000 | 186,616 | 205,971 |
| Capital grants | 398,050 | - | - | - | 398,050 | - |
| General revenues | | | | | | |
| Property taxes | 295,443 | 287,284 | - | - | 295,443 | 287,284 |
| Franchise fees | 13,766 | 9,453 | - | - | 13,766 | 9,453 |
| Unrestricted grants | 231,852 | 144,505 | - | - | 231,852 | 144,505 |
| Investment earnings | 7,374 | 1,073 | 5,767 | 1,841 | 13,141 | 2,914 |
| Other | 4,622 | 12,222 | 1,069 | - | 5,691 | 12,222 |
| Total revenues | <u>1,311,831</u> | <u>848,888</u> | <u>960,465</u> | <u>415,036</u> | <u>2,272,296</u> | <u>1,263,924</u> |
| Expenses: | | | | | | |
| General government | 140,695 | 137,676 | - | - | 140,695 | 137,676 |
| Public safety | 194,260 | 211,433 | - | - | 194,260 | 211,433 |
| Public works | 415,344 | 433,884 | - | - | 415,344 | 433,884 |
| Community and economic development | - | 17,321 | - | - | - | 17,321 |
| Recreation and culture | 47,250 | 43,687 | - | - | 47,250 | 43,687 |
| Interest on long-term debt | 7,386 | 8,080 | - | - | 7,386 | 8,080 |
| Sewer | - | - | 950,490 | 268,330 | 950,490 | 268,330 |
| Water | - | - | 235,722 | 278,186 | 235,722 | 278,186 |
| Total expenses | <u>815,326</u> | <u>852,081</u> | <u>1,186,212</u> | <u>546,516</u> | <u>2,001,538</u> | <u>1,398,597</u> |
| Excess of revenues over expenses before other | <u>496,505</u> | <u>(3,193)</u> | <u>(225,747)</u> | <u>(131,480)</u> | <u>270,758</u> | <u>(134,673)</u> |
| Other items: | | | | | | |
| Sale of capital assets | <u>(1,390)</u> | <u>1,500</u> | <u>-</u> | <u>-</u> | <u>(1,390)</u> | <u>1,500</u> |
| Changes in net position | <u>495,115</u> | <u>(1,693)</u> | <u>(225,747)</u> | <u>(131,480)</u> | <u>269,368</u> | <u>(133,173)</u> |
| Net position, beginning of year | <u>5,190,183</u> | <u>5,191,876</u> | <u>1,815,410</u> | <u>1,946,890</u> | <u>7,005,593</u> | <u>7,138,766</u> |
| Net position, end of year | <u>\$ 5,685,298</u> | <u>\$ 5,190,183</u> | <u>\$ 1,589,663</u> | <u>\$ 1,815,410</u> | <u>\$ 7,274,961</u> | <u>\$ 7,005,593</u> |

THE VILLAGE OF LAKEVIEW'S FUNDS:

Presentation of the Village of Lakeview's major funds begins on page 13, 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 29, 2020

THE VILLAGE OF LAKEVIEW'S FUNDS, continued:

The General Fund is the Village's largest governmental fund and one of four 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 29, 2020, General Fund financing sources exceeded its financing uses by \$57,600, increasing its ending fund balance to \$536,057. The Village's second major governmental fund, the Major Street Fund was able to increase its ending fund balance by \$81,996. The Village's third major governmental fund, the Local Street Fund decreased its ending fund balance by \$83,684. The Village's fourth major governmental fund, the Municipal Street Fund was able to increase its ending fund balance by \$3,792.

General Fund Budgetary Highlights:

The General Fund budget, as originally adopted, projected a net increase in fund balance of \$21,816. During the year, the Village made budget amendments that changed the projection to a decrease of \$59,671 in fund balance. The actual results for the fiscal year yielded an increase in fund balance of \$57,600.

Capital Assets and Debt Administration:

At February 29, 2020, the Village of Lakeview had \$6,224,517 invested in a range of capital assets including land, land improvements, buildings, equipment, vehicles, water and sewer lines, and other infrastructure, net of accumulated depreciation. At February 28, 2019, this total was \$5,939,283. 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 29, 2020, the Village of Lakeview's total long-term indebtedness was \$864,308 (excluding compensated absences payable), of which \$249,308 is backed by the full faith and credit of the Village and the remaining \$615,000 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.

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 29, 2020

| | <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 | \$ 1,479,917 | \$ 252,005 | \$ 1,731,922 | \$ 175,144 |
| Receivables: | | | | |
| Property taxes receivable | - | - | - | 16,735 |
| Accounts receivable | 2,920 | 36,183 | 39,103 | - |
| Due from other governments | 77,824 | - | 77,824 | - |
| Prepaid expenses | 8,560 | - | 8,560 | - |
| Restricted cash and cash equivalents | - | 109,000 | 109,000 | - |
| Capital assets not being depreciated | 631,714 | - | 631,714 | 159,687 |
| Capital assets being depreciated, net | 3,768,552 | 1,824,251 | 5,592,803 | 455,165 |
| Total assets | <u>5,969,487</u> | <u>2,221,439</u> | <u>8,190,926</u> | <u>806,731</u> |
| Liabilities: | | | | |
| Accounts payable | 7,565 | 13,297 | 20,862 | - |
| Accrued expenses | 699 | - | 699 | - |
| Accrued interest payable | 4,451 | 3,479 | 7,930 | - |
| Accrued wages payable | 4,866 | - | 4,866 | - |
| Long-term liabilities: | | | | |
| Due within one year | | | | |
| Current portion of long-term debt | 38,807 | 70,000 | 108,807 | - |
| Due in more than one year | | | | |
| Long-term debt | 210,501 | 545,000 | 755,501 | - |
| Compensated absences payable | 17,300 | - | 17,300 | - |
| Total liabilities | <u>284,189</u> | <u>631,776</u> | <u>915,965</u> | <u>-</u> |
| Net position: | | | | |
| Net investment in capital assets | 4,150,958 | 1,209,251 | 5,360,209 | 614,852 |
| Restricted for: | | | | |
| Debt service | - | 109,000 | 109,000 | - |
| Streets | 1,020,034 | - | 1,020,034 | - |
| Unrestricted | 514,306 | 271,412 | 785,718 | 191,879 |
| Total net position | <u>\$ 5,685,298</u> | <u>\$ 1,589,663</u> | <u>\$ 7,274,961</u> | <u>\$ 806,731</u> |

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

VILLAGE OF LAKEVIEW

STATEMENT OF ACTIVITIES

Year Ended February 29, 2020

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue |
|------------------------------------|---------------------|-------------------------------------|---|---|--------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| PRIMARY GOVERNMENT: | | | | | |
| <i>Governmental activities:</i> | | | | | |
| General government | \$ 140,695 | \$ 81,000 | \$ - | \$ - | \$ (59,695) |
| Public safety | 194,260 | 36,066 | 1,977 | - | (156,217) |
| Public works | 415,344 | 55,962 | 184,639 | 398,050 | 223,307 |
| Community and economic development | 10,391 | 1,080 | - | - | (9,311) |
| Recreation and culture | 47,250 | - | - | - | (47,250) |
| Interest on long-term debt | 7,386 | - | - | - | (7,386) |
| Total governmental activities | <u>815,326</u> | <u>174,108</u> | <u>186,616</u> | <u>398,050</u> | <u>(56,552)</u> |
| <i>Business-type activities:</i> | | | | | |
| Sewer | 950,490 | 752,008 | - | - | (198,482) |
| Water | 235,722 | 201,621 | - | - | (34,101) |
| Total business-type activities | <u>1,186,212</u> | <u>953,629</u> | <u>-</u> | <u>-</u> | <u>(232,583)</u> |
| Total primary government | <u>\$ 2,001,538</u> | <u>\$ 1,127,737</u> | <u>\$ 186,616</u> | <u>\$ 398,050</u> | <u>\$ (289,135)</u> |
| COMPONENT UNIT: | | | | | |
| Downtown development authority | <u>\$ 72,494</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (72,494)</u> |

continued

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

VILLAGE OF LAKEVIEW

STATEMENT OF ACTIVITIES, CONTINUED

Year Ended February 29, 2020

| | <u>Primary Government</u> | | | <u>Component Unit</u> |
|---|------------------------------------|--|---------------------|---------------------------|
| | <u>Governmental Activities</u> | <u>Business- type Activities</u> | <u>Total</u> | |
| <i>Changes in net position:</i> | | | | |
| Net (Expense) Revenue | \$ (56,552) | \$ (232,583) | \$ (289,135) | \$ (72,494) |
| General revenues: | | | | |
| Taxes: | | | | |
| Property taxes, levied for general purpose | 202,856 | - | 202,856 | - |
| Property taxes, levied for cemetery | 15,775 | - | 15,775 | - |
| Property taxes, levied for streets | 76,812 | - | 76,812 | - |
| Property taxes, captured by DDA | - | - | - | 73,831 |
| Franchise fees | 13,766 | - | 13,766 | - |
| Grants and contributions not restricted to specific programs | 231,852 | - | 231,852 | - |
| Unrestricted investment earnings | 7,374 | 5,767 | 13,141 | 1,917 |
| Other | 4,622 | 1,069 | 5,691 | - |
| Special item - Net loss on capital asset | (1,390) | - | (1,390) | - |
| Total general revenues and special item | <u>551,667</u> | <u>6,836</u> | <u>558,503</u> | <u>75,748</u> |
| Changes in net position | 495,115 | (225,747) | 269,368 | 3,254 |
| Net position, beginning of year | <u>5,190,183</u> | <u>1,815,410</u> | <u>7,005,593</u> | <u>803,477</u> |
| Net position, end of year | <u>\$ 5,685,298</u> | <u>\$ 1,589,663</u> | <u>\$ 7,274,961</u> | <u>\$ 806,731</u> |

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

VILLAGE OF LAKEVIEW

GOVERNMENTAL FUNDS

BALANCE SHEET

February 29, 2020

| | <u>General Fund</u> | <u>Major Street Fund</u> | <u>Local Street Fund</u> | <u>Municipal Street Fund</u> | <u>Total</u> |
|---------------------------------------|-------------------------|----------------------------------|----------------------------------|--------------------------------------|---------------------|
| Assets: | | | | | |
| Cash and cash equivalents | \$ 499,025 | \$ 637,711 | \$ 68,962 | \$ 274,219 | \$ 1,479,917 |
| Accounts receivable | 2,920 | - | - | - | 2,920 |
| Due from other governments | 38,349 | 30,209 | 9,266 | - | 77,824 |
| Prepaid expenditures | 8,560 | - | - | - | 8,560 |
| Total assets | <u>\$ 548,854</u> | <u>\$ 667,920</u> | <u>\$ 78,228</u> | <u>\$ 274,219</u> | <u>\$ 1,569,221</u> |
| Liabilities and Fund Balances: | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 7,232 | \$ 198 | \$ 135 | \$ - | \$ 7,565 |
| Accrued expenses | 699 | - | - | - | 699 |
| Accrued wages payable | 4,866 | - | - | - | 4,866 |
| Total liabilities | <u>12,797</u> | <u>198</u> | <u>135</u> | <u>-</u> | <u>13,130</u> |
| Fund balances: | | | | | |
| Nonspendable: | | | | | |
| Prepaid expenditures | 8,560 | - | - | - | 8,560 |
| Restricted for: | | | | | |
| Streets | - | 667,722 | 78,093 | 274,219 | 1,020,034 |
| Committed to: | | | | | |
| Property replacement | 85,877 | - | - | - | 85,877 |
| Unassigned | 441,620 | - | - | - | 441,620 |
| Total fund balances | <u>536,057</u> | <u>667,722</u> | <u>78,093</u> | <u>274,219</u> | <u>1,556,091</u> |
| Total liabilities and fund balances | <u>\$ 548,854</u> | <u>\$ 667,920</u> | <u>\$ 78,228</u> | <u>\$ 274,219</u> | <u>\$ 1,569,221</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 29, 2020

| | |
|--|----------------------------|
| Fund balances of governmental funds | \$ 1,556,091 |
| 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. | |
| Capital assets not being depreciated | 631,714 |
| Capital assets being depreciated, net | 3,768,552 |
| Interest payable in the governmental activities is not payable from current financial resources and therefore is not reported in the governmental funds. | (4,451) |
| Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds. | |
| Loan and contract payable | (249,308) |
| Compensated absences payable | <u>(17,300)</u> |
| Net position of governmental activities | <u>\$ 5,685,298</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 29, 2020

| | <i>General Fund</i> | <i>Major Street Fund</i> | <i>Local Street Fund</i> | <i>Municipal Street Fund</i> | <i>Total</i> |
|---|-------------------------|----------------------------------|----------------------------------|--------------------------------------|---------------------|
| Revenues: | | | | | |
| Property taxes | \$ 218,631 | \$ - | \$ - | \$ 76,812 | \$ 295,443 |
| Licenses and permits | 13,766 | - | - | - | 13,766 |
| State grants | 216,253 | 141,055 | 43,584 | - | 400,892 |
| Contributions from other units | 28,576 | - | - | - | 28,576 |
| Charges for services | 159,192 | - | - | - | 159,192 |
| Fines and forfeits | 5,050 | - | - | - | 5,050 |
| Interest and rents | 87,591 | 1,597 | 1,354 | - | 90,542 |
| Other revenue | 4,622 | - | - | - | 4,622 |
| Total revenues | <u>733,681</u> | <u>142,652</u> | <u>44,938</u> | <u>76,812</u> | <u>998,083</u> |
| Expenditures: | | | | | |
| Current | | | | | |
| General government | 154,865 | - | - | - | 154,865 |
| Public safety | 186,019 | - | - | - | 186,019 |
| Public works | 236,256 | 60,656 | 36,902 | 17,949 | 351,763 |
| Community and economic development | 10,391 | - | - | - | 10,391 |
| Recreation and culture | 26,936 | - | - | - | 26,936 |
| Capital outlay | 52,739 | - | 94,868 | 24,039 | 171,646 |
| Debt service | | | | | |
| Principal | 14,301 | - | 11,549 | 11,549 | 37,399 |
| Interest and fees | 3,274 | - | 2,393 | 2,393 | 8,060 |
| Total expenditures | <u>684,781</u> | <u>60,656</u> | <u>145,712</u> | <u>55,930</u> | <u>947,079</u> |
| Excess (deficiency) of revenues over expenditures | <u>48,900</u> | <u>81,996</u> | <u>(100,774)</u> | <u>20,882</u> | <u>51,004</u> |
| Other financing sources (uses): | | | | | |
| Sale of capital assets | 8,700 | - | - | - | 8,700 |
| Interfund transfers in | - | - | 17,090 | - | 17,090 |
| Interfund transfers out | - | - | - | (17,090) | (17,090) |
| Net other financing sources (uses) | <u>8,700</u> | <u>-</u> | <u>17,090</u> | <u>(17,090)</u> | <u>8,700</u> |
| Changes in fund balances | 57,600 | 81,996 | (83,684) | 3,792 | 59,704 |
| Fund balances, beginning of year | <u>478,457</u> | <u>585,726</u> | <u>161,777</u> | <u>270,427</u> | <u>1,496,387</u> |
| Fund balances, end of year | <u>\$ 536,057</u> | <u>\$ 667,722</u> | <u>\$ 78,093</u> | <u>\$ 274,219</u> | <u>\$ 1,556,091</u> |

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

VILLAGE OF LAKEVIEW

RECONCILIATION OF CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

Year Ended February 29, 2020

| | |
|---|-------------------|
| Changes in fund balances of governmental funds | \$ 59,704 |
| 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. | |
| Purchases of capital assets | 208,346 |
| Acquisitions of capital assets through capital contributions | 398,050 |
| Less depreciation expense | (175,639) |
| Less book value of capital assets sold | (28,090) |
| Payments of principal on long-term obligations are expenditures in governmental funds but the payments reduce long-term liabilities in the statement of net position. | 37,399 |
| 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 accrued interest payable | 674 |
| Change in compensated absences payable | (5,329) |
| Change in net position of governmental activities | <u>\$ 495,115</u> |

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

VILLAGE OF LAKEVIEW

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
February 29, 2020

| | <u><i>Sewer Fund</i></u> | <u><i>Water Fund</i></u> | <u><i>Total</i></u> |
|---|------------------------------|------------------------------|---------------------|
| Assets: | | | |
| <i>Current assets:</i> | | | |
| Cash and cash equivalents | \$ 34,839 | \$ 217,166 | \$ 252,005 |
| Accounts receivable | 19,113 | 17,070 | 36,183 |
| Total current assets | <u>53,952</u> | <u>234,236</u> | <u>288,188</u> |
| <i>Noncurrent assets:</i> | | | |
| Restricted cash and cash equivalents | 54,000 | 55,000 | 109,000 |
| Capital assets not being depreciated, net | 1,018,977 | 805,274 | 1,824,251 |
| Total noncurrent assets | <u>1,072,977</u> | <u>860,274</u> | <u>1,933,251</u> |
| Total assets | <u>1,126,929</u> | <u>1,094,510</u> | <u>2,221,439</u> |
| Liabilities: | | | |
| <i>Current liabilities:</i> | | | |
| Accounts payable | 4,189 | 9,108 | 13,297 |
| Accrued interest payable | 2,359 | 1,120 | 3,479 |
| Current portion of long-term debt, payable from restricted assets | 50,000 | 20,000 | 70,000 |
| Total current liabilities | <u>56,548</u> | <u>30,228</u> | <u>86,776</u> |
| <i>Noncurrent liabilities:</i> | | | |
| Long-term debt | <u>370,000</u> | <u>175,000</u> | <u>545,000</u> |
| Total liabilities | <u>426,548</u> | <u>205,228</u> | <u>631,776</u> |
| Net position: | | | |
| Net investment in capital assets | 598,977 | 610,274 | 1,209,251 |
| Restricted for: | | | |
| Debt service | 54,000 | 55,000 | 109,000 |
| Unrestricted | <u>47,404</u> | <u>224,008</u> | <u>271,412</u> |
| Total net position | <u>\$ 700,381</u> | <u>\$ 889,282</u> | <u>\$ 1,589,663</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 29, 2020

| | <u>Sewer Fund</u> | <u>Water Fund</u> | <u>Total</u> |
|---|-----------------------|-----------------------|---------------------|
| Operating revenues: | | | |
| Charges for services: | | | |
| Sales | \$ 215,551 | \$ 199,777 | \$ 415,328 |
| Other | - | 1,844 | 1,844 |
| Cost sharing agreement - sludge removal | <u>536,457</u> | <u>-</u> | <u>536,457</u> |
| Total operating revenues | <u>752,008</u> | <u>201,621</u> | <u>953,629</u> |
| Operating expenses: | | | |
| Personal services | 36,221 | 36,616 | 72,837 |
| Supplies | 13,081 | 12,739 | 25,820 |
| Contracted services | 716,321 | 53,499 | 769,820 |
| Other services and charges | 100,370 | 69,297 | 169,667 |
| Depreciation | <u>69,365</u> | <u>56,068</u> | <u>125,433</u> |
| Total operating expenses | <u>935,358</u> | <u>228,219</u> | <u>1,163,577</u> |
| Operating income | <u>(183,350)</u> | <u>(26,598)</u> | <u>(209,948)</u> |
| Non-operating revenues (expenses): | | | |
| Interest income | 2,761 | 3,006 | 5,767 |
| Other revenue | 1,069 | - | 1,069 |
| Interest expense | <u>(15,132)</u> | <u>(7,503)</u> | <u>(22,635)</u> |
| Net non-operating revenues (expenses) | <u>(11,302)</u> | <u>(4,497)</u> | <u>(15,799)</u> |
| Change in net position | (194,652) | (31,095) | (225,747) |
| Net position, beginning of year | <u>895,033</u> | <u>920,377</u> | <u>1,815,410</u> |
| Net position, end of year | <u>\$ 700,381</u> | <u>\$ 889,282</u> | <u>\$ 1,589,663</u> |

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

VILLAGE OF LAKEVIEW

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS Year Ended February 29, 2020

| | <i>Sewer Fund</i> | <i>Water Fund</i> | <i>Total</i> |
|---|-----------------------|-----------------------|---------------------|
| Cash flows from operating activities: | | | |
| Cash received from customers | \$ 214,936 | \$ 199,340 | \$ 414,276 |
| Other cash receipts | 536,457 | - | 536,457 |
| Cash payments to and on behalf of employees | (36,221) | (36,616) | (72,837) |
| Cash payments to suppliers for goods and services | (829,014) | (159,563) | (988,577) |
| Net cash provided (used) by operating activities | (113,842) | 3,161 | (110,681) |
| Cash flows from non-capital financing activities: | | | |
| Other revenue | 1,069 | - | 1,069 |
| Cash flows from capital and related financing activities: | | | |
| Acquisition and construction of capital assets | (8,000) | - | (8,000) |
| Principal payments on bonds | (50,000) | (40,000) | (90,000) |
| Interest paid | (15,328) | (7,660) | (22,988) |
| Net cash provided (used) by capital and related financing activities | (73,328) | (47,660) | (120,988) |
| Cash flows from investing activities: | | | |
| Interest received | 2,761 | 3,006 | 5,767 |
| Net change in cash and cash equivalents | (183,340) | (41,493) | (224,833) |
| Cash and cash equivalents, beginning of year | 272,179 | 313,659 | 585,838 |
| Cash and cash equivalents, end of year | <u>\$ 88,839</u> | <u>\$ 272,166</u> | <u>\$ 361,005</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ (183,350) | \$ (26,598) | \$ (209,948) |
| Adjustments: | | | |
| Depreciation | 69,365 | 56,068 | 125,433 |
| Change in assets and liabilities: | | | |
| Accounts receivable | (615) | (2,281) | (2,896) |
| Accounts payable | 758 | (24,028) | (23,270) |
| Net cash provided (used) by operating activities | <u>\$ (113,842)</u> | <u>\$ 3,161</u> | <u>\$ (110,681)</u> |

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

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

February 29, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies used by the Village of Lakeview, (the “Village”):

Reporting Entity:

The Village of Lakeview is governed by a seven-member Council. The Village provides the following services: general administrative services, police protection, highway and street maintenance, recreation and other governmental functions.

The accompanying financial statements present the Village as the primary government. Component units are separate legal entities for which the Village is financially accountable. Blended component units, if any, are, in substance, part of the primary government’s operations, and presented as funds of the primary government. Discretely presented component units are reported in separate columns in the government-wide financial statements. The Village has determined that it has one component unit and that it should be discretely presented.

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.

Accounting and Reporting Principles:

The Village follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board.

Report Presentation:

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. 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 unit. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. 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 statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

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.

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

February 29, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the Village's enterprise functions and various other functions of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

Fund Accounting:

The Village accounts for its various activities in several different funds in order to demonstrate accountability for how it has spent certain resources - separate funds allow the Village to show the particular expenditures that specific revenues were used for. The various funds are aggregated into two broad fund types:

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, and capital project funds.

Proprietary funds provide goods or services to users in exchange for charges or fees.

The Village reports the following major governmental funds. The Village has elected to show all three governmental funds as major.

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

Special Revenue Fund – Municipal Street Fund – The Municipal Street Fund accounts for the maintenance and construction of streets with revenue received from a property tax levy.

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.

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

February 29, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Accounting:

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources. Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the Village considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: most state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period.

Proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions:

Deposits and Investments – 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.

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

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), 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

NOTES TO FINANCIAL STATEMENTS

February 29, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 |

Long-term Obligations – In the government-wide financial statements and the proprietary fund type 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. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue qualifies for reporting in this category and arises only under a modified accrual basis of accounting.

Net Position Flow Assumption – Sometimes the Village will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption – Sometimes the Village will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies – 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:

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

February 29, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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 2019 taxable valuation of the Village totaled \$22,688,877 (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.

Compensated Absences (Vacation Leave) – 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. For governmental activities, compensated absences payable are liquidated by the General Fund.

Proprietary Funds Operating Classification – 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. The proprietary funds recognize as capital contributions the tap fees intended to recover the cost of connecting new customers to the system and as nonoperating revenues rental income and investment income. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not included in these classifications are reported as nonoperating expenses.

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

February 29, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Interfund Activity:

During the course of operations, the Village has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

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 incurred expenditures that were in excess of the amounts budgeted, as follows:

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

February 29, 2020

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

| | <u>Final Budget</u> | <u>Actual</u> | <u>Unfavorable</u> |
|-------------------------------------|---------------------|---------------|--------------------|
| General Fund: | | | |
| General government: | | | |
| President | \$ 1,060 | \$ 1,103 | \$ (43) |
| Public safety: | | | |
| Police | 183,970 | 186,019 | (2,049) |
| Public works: | | | |
| Department of public works | 94,742 | 102,004 | (7,262) |
| Street lighting | 11,600 | 11,776 | (176) |
| Environmental control | 29,100 | 32,986 | (3,886) |
| Community and economic development: | | | |
| Zoning | 4,500 | 10,391 | (5,891) |
| Recreation and culture: | | | |
| Parks and grounds | 14,350 | 26,936 | (12,586) |
| Capital outlay | 42,823 | 52,739 | (9,916) |
| Municipal Street Fund: | | | |
| Public works | 48,362 | 55,930 | (7,568) |

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 \$2,033,454 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$250,000 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 29, 2020

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended February 29, 2020 was as follows:

| | <i>March 1, 2019</i> | <i>Additions</i> | <i>Retirements</i> | <i>February 29, 2020</i> |
|---|--------------------------|---------------------|--------------------|------------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 631,714 | \$ - | \$ - | \$ 631,714 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 891,219 | - | - | 891,219 |
| Infrastructure | 2,775,161 | 537,907 | - | 3,313,068 |
| Land improvements | 546,240 | - | - | 546,240 |
| Machinery and equipment | 551,892 | 68,489 | (29,568) | 590,813 |
| Vehicles | 71,788 | - | - | 71,788 |
| Total capital assets being depreciated | <u>4,836,300</u> | <u>606,396</u> | <u>(29,568)</u> | <u>5,413,128</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (289,442) | (18,010) | - | (307,452) |
| Infrastructure | (707,972) | (105,630) | - | (813,602) |
| Land improvements | (83,355) | (17,669) | - | (101,024) |
| Machinery and equipment | (351,128) | (25,175) | 1,478 | (374,825) |
| Vehicles | (38,518) | (9,155) | - | (47,673) |
| Total accumulated depreciation | <u>(1,470,415)</u> | <u>(175,639)</u> | <u>1,478</u> | <u>(1,644,576)</u> |
| Capital assets being depreciated, net | <u>3,365,885</u> | <u>430,757</u> | <u>(28,090)</u> | <u>3,768,552</u> |
| Governmental activities, capital assets, net | <u>\$ 3,997,599</u> | <u>\$ 430,757</u> | <u>\$ (28,090)</u> | <u>\$ 4,400,266</u> |
| Business-type activities: | | | | |
| Capital assets being depreciated: | | | | |
| Land improvements | \$ 15,480 | \$ - | \$ - | \$ 15,480 |
| Machinery and equipment | 100,658 | 8,000 | - | 108,658 |
| Sewer system | 2,966,459 | - | - | 2,966,459 |
| Water system | 2,310,816 | - | - | 2,310,816 |
| Total capital assets being depreciated | <u>5,393,413</u> | <u>8,000</u> | <u>-</u> | <u>5,401,413</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | (7,611) | (774) | - | (8,385) |
| Machinery and equipment | (91,757) | (845) | - | (92,602) |
| Sewer system | (1,893,986) | (68,458) | - | (1,962,444) |
| Water system | (1,458,375) | (55,356) | - | (1,513,731) |
| Total accumulated depreciation | <u>(3,451,729)</u> | <u>(125,433)</u> | <u>-</u> | <u>(3,577,162)</u> |
| Business-type activities, capital assets, net | <u>\$ 1,941,684</u> | <u>\$ (117,433)</u> | <u>\$ -</u> | <u>\$ 1,824,251</u> |

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

February 29, 2020

NOTE 4: CAPITAL ASSETS, CONTINUED

| | <u>March 1, 2019</u> | <u>Additions</u> | <u>Retirements</u> | <u>February 29, 2020</u> |
|--|--------------------------|--------------------|--------------------|------------------------------|
| Component unit: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 159,687 | \$ - | \$ - | \$ 159,687 |
| Capital assets being depreciated: | | | | |
| Infrastructure | 710,050 | - | - | 710,050 |
| Land improvements | 63,724 | - | - | 63,724 |
| Machinery and equipment | 7,527 | - | - | 7,527 |
| Total capital assets being depreciated | <u>781,301</u> | <u>-</u> | <u>-</u> | <u>781,301</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (260,791) | (14,806) | - | (275,597) |
| Land improvements | (39,826) | (3,186) | - | (43,012) |
| Machinery and equipment | (7,527) | - | - | (7,527) |
| Total accumulated depreciation | <u>(308,144)</u> | <u>(17,992)</u> | <u>-</u> | <u>(326,136)</u> |
| Capital assets being depreciated, net | <u>473,157</u> | <u>(17,992)</u> | <u>-</u> | <u>455,165</u> |
| Component unit, capital assets, net | <u>\$ 632,844</u> | <u>\$ (17,992)</u> | <u>\$ -</u> | <u>\$ 614,852</u> |

Depreciation expense was charged to various functions as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Component Unit</u> |
|------------------------------------|------------------------------------|-------------------------------------|---------------------------|
| General government | \$ 5,915 | \$ - | \$ - |
| Public safety | 9,453 | - | - |
| Public works | 139,957 | - | - |
| Community and economic development | - | - | 17,992 |
| Recreation and culture | 20,314 | - | - |
| Sewer | - | 69,365 | - |
| Water | - | 56,068 | - |
| Total depreciation expense | <u>\$ 175,639</u> | <u>\$ 125,433</u> | <u>\$ 17,992</u> |

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, installment contracts and other contracts 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 liabilities include compensated liabilities.

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

February 29, 2020

NOTE 5: LONG-TERM LIABILITIES, CONTINUED

The following is a summary of debt transactions:

| | <u>March 1,</u> <u>2019</u> | <u>Additions</u> | <u>Retirements</u> | <u>February 29,</u> <u>2020</u> | <u>Due Within</u> <u>One Year</u> |
|--|--------------------------------|------------------|--------------------|------------------------------------|--------------------------------------|
| Governmental activities: | | | | | |
| <i>General obligations:</i> | | | | | |
| 2015 bank loan, due in annual amounts of \$17,613 including interest at 2.99% through 2026. | \$ 109,591 | \$ - | \$ (14,301) | \$ 95,290 | \$ 14,765 |
| 2017 contract, due in annual amounts of \$27,884 including interest at 2.50% through 2026. | 177,116 | - | (23,098) | 154,018 | 24,042 |
| <i>Other liabilities:</i> | | | | | |
| Compensated absences | 11,971 | 5,328 | - | 17,299 | - |
| Total governmental activities - long-term liabilities | <u>\$ 298,678</u> | <u>\$ 5,328</u> | <u>\$ (37,399)</u> | <u>\$ 266,607</u> | <u>\$ 38,807</u> |
| Business-type activities: | | | | | |
| <i>Revenue bonds:</i> | | | | | |
| 2014 Sanitary Sewer System Revenue Refunding Bonds, due in annual amounts ranging from \$30,000 to \$55,000 plus interest at 2.65 to 3.90% through 2029. | \$ 470,000 | \$ - | \$ (50,000) | \$ 420,000 | \$ 50,000 |
| 2014 Water Supply System Revenue Refunding Bonds, due in annual amounts ranging from \$20,000 to \$25,000 plus interest at 2.65 to 3.90% through 2029. | 235,000 | - | (40,000) | 195,000 | 20,000 |
| Total business-type activities - long-term liabilities | <u>\$ 705,000</u> | <u>\$ -</u> | <u>\$ (90,000)</u> | <u>\$ 615,000</u> | <u>\$ 70,000</u> |

Annual debt service requirements to maturity for all outstanding debt (excluding compensated absences) as of February 29, 2020 are as follows:

| <i>Fiscal</i> <i>Year Ended</i> | <i>Governmental Activities</i> | | | <i>Business-type Activities</i> | | |
|------------------------------------|--------------------------------|------------------|-------------------|---------------------------------|-------------------|-------------------|
| | <i>Principal</i> | <i>Interest</i> | <i>Total</i> | <i>Principal</i> | <i>Interest</i> | <i>Total</i> |
| 2021 | \$ 38,807 | \$ 6,690 | \$ 45,497 | \$ 70,000 | \$ 20,872 | \$ 90,872 |
| 2022 | 39,849 | 5,648 | 45,497 | 75,000 | 19,018 | 94,018 |
| 2023 | 40,920 | 4,577 | 45,497 | 70,000 | 16,805 | 86,805 |
| 2024 | 42,019 | 3,478 | 45,497 | 75,000 | 14,530 | 89,530 |
| 2025 | 43,148 | 2,349 | 45,497 | 75,000 | 11,980 | 86,980 |
| 2026-2029 | 44,565 | 1,188 | 45,753 | 250,000 | 22,968 | 272,968 |
| | <u>\$ 249,308</u> | <u>\$ 23,930</u> | <u>\$ 273,238</u> | <u>\$ 615,000</u> | <u>\$ 106,173</u> | <u>\$ 721,173</u> |

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

February 29, 2020

NOTE 6: INTERFUND TRANSFERS

The composition of interfund transfers at February 29, 2020 is as follows reported in the fund financial statements:

| <i>Funds Transferred From</i> | <i>Funds Transferred To</i> | <i>Amount</i> |
|-------------------------------|-----------------------------|---------------|
| Municipal Street Fund | Local Street Fund | \$ 17,090 |

The above transfers were to use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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.

NOTE 8: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

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 Municipal Employees' Retirement System (MERS) and is available to all full-time employees once hired. Under the plan, employees can elect to defer a portion of their wages each pay period and the Village will contribute to the plan from 2% up to a maximum of 7%. Vesting happens after four years. 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. The Village made contributions of \$16,814 during the current fiscal year.

Health Savings Account Contributions:

The Village will match up to \$750 per full-time employee to the employee's health savings account. The Village contributed \$3,899 during the current fiscal year.

NOTE 9: TRANSACTIONS WITH DDA

The Downtown Development Authority has agreed to reimburse the General Fund for the loan payments on the \$150,000 loan dated July 22, 2015. Payments are due annually equal to the debt payment. During the current fiscal year, the DDA paid to the Village \$17,576.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF LAKEVIEW

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
 Year Ended February 29, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <i>Variances with Final Budget Favorable (Unfavorable)</i> |
|------------------------------------|-------------------------|----------------|----------------|--|
| | <u>Original</u> | <u>Final</u> | | <u>(Unfavorable)</u> |
| Revenues: | | | | |
| Property taxes | \$ 202,272 | \$ 205,554 | \$ 218,631 | \$ 13,077 |
| Licenses and permits | 6,000 | 12,000 | 13,766 | 1,766 |
| Federal grants | 270,000 | - | - | - |
| State grants | 112,000 | 117,468 | 216,253 | 98,785 |
| Contributions from other units | - | 28,576 | 28,576 | - |
| Charges for services | 62,650 | 156,571 | 159,192 | 2,621 |
| Fines and forfeits | 4,500 | 4,500 | 5,050 | 550 |
| Interest and rents | 74,112 | 74,112 | 87,591 | 13,479 |
| Other revenue | 159,324 | 4,369 | 4,622 | 253 |
| Total revenues | <u>890,858</u> | <u>603,150</u> | <u>733,681</u> | <u>130,531</u> |
| Expenditures: | | | | |
| Current | | | | |
| General government | | | | |
| Council | 5,850 | 6,850 | 6,626 | 224 |
| President | 1,060 | 1,060 | 1,103 | (43) |
| Administration | 140,735 | 140,735 | 138,344 | 2,391 |
| Elections | 1,450 | - | - | - |
| Clerk | 1,400 | 1,400 | 1,061 | 339 |
| Audit | 8,200 | 8,200 | 7,075 | 1,125 |
| Treasurer | 700 | 700 | 656 | 44 |
| Attorney | 5,000 | 5,000 | - | 5,000 |
| Total general government | <u>164,395</u> | <u>163,945</u> | <u>154,865</u> | <u>9,080</u> |
| Public safety | | | | |
| Police | 183,970 | 183,970 | 186,019 | (2,049) |
| Public works | | | | |
| Department of public works | 94,742 | 94,742 | 102,004 | (7,262) |
| Tamarack Lake | 11,200 | 11,200 | 10,143 | 1,057 |
| Storm drains | 2,000 | 2,000 | - | 2,000 |
| Street lighting | 11,600 | 11,600 | 11,776 | (176) |
| Environmental control | 29,100 | 29,100 | 32,986 | (3,886) |
| Cemetery | 27,330 | 29,530 | 23,921 | 5,609 |
| Airport | 25,855 | 57,486 | 55,426 | 2,060 |
| Total public works | <u>201,827</u> | <u>235,658</u> | <u>236,256</u> | <u>(598)</u> |
| Community and economic development | | | | |
| Zoning | 4,500 | 4,500 | 10,391 | (5,891) |

continued

VILLAGE OF LAKEVIEW

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE, CONTINUED

Year Ended February 29, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <i>Variances with</i> |
|--|-------------------------|-------------------|-------------------|-----------------------|
| | <u>Original</u> | <u>Final</u> | | <i>Final Budget</i> |
| | | | | <i>Favorable</i> |
| | | | | <i>(Unfavorable)</i> |
| Recreation and culture | | | | |
| Parks and grounds | 14,350 | 14,350 | 26,936 | (12,586) |
| Capital outlay | 300,000 | 42,823 | 52,739 | (9,916) |
| Debt service | | | | |
| Principal | - | 14,301 | 14,301 | - |
| Interest and fees | - | 3,274 | 3,274 | - |
| Total debt services | - | 17,575 | 17,575 | - |
| Total expenditures | 869,042 | 662,821 | 684,781 | (21,960) |
| Excess (deficiency) of revenues over expenditures | 21,816 | (59,671) | 48,900 | 108,571 |
| Other financing sources (uses): | | | | |
| Sale of capital assets | - | - | 8,700 | 8,700 |
| Changes in fund balances | 21,816 | (59,671) | 57,600 | 117,271 |
| Fund balances, beginning of year | 478,457 | 478,457 | 478,457 | - |
| Fund balances, end of year | <u>\$ 500,273</u> | <u>\$ 418,786</u> | <u>\$ 536,057</u> | <u>\$ 117,271</u> |

VILLAGE OF LAKEVIEW

SPECIAL REVENUE FUND – MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 29, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <i>Variances with</i> |
|---------------------------------|-------------------------|-------------------|-------------------|-----------------------|
| | <u>Original</u> | <u>Final</u> | | <i>Final Budget</i> |
| | | | | <i>Favorable</i> |
| | | | | <i>(Unfavorable)</i> |
| Revenues: | | | | |
| State grants | \$ 115,000 | \$ 115,000 | \$ 141,055 | \$ 26,055 |
| Interest and rents | <u>250</u> | <u>250</u> | <u>1,597</u> | <u>1,347</u> |
| Total revenues | <u>115,250</u> | <u>115,250</u> | <u>142,652</u> | <u>27,402</u> |
| Expenditures: | | | | |
| Current | | | | |
| Public works | <u>96,691</u> | <u>96,691</u> | <u>60,656</u> | <u>36,035</u> |
| Change in fund balance | 18,559 | 18,559 | 81,996 | 63,437 |
| Fund balance, beginning of year | <u>585,726</u> | <u>585,726</u> | <u>585,726</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 604,285</u> | <u>\$ 604,285</u> | <u>\$ 667,722</u> | <u>\$ 63,437</u> |

VILLAGE OF LAKEVIEW

SPECIAL REVENUE FUND – LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 29, 2020

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Variances with</i> |
|--|-------------------------|--------------|---------------|-----------------------|
| | <i>Original</i> | <i>Final</i> | | <i>Final Budget</i> |
| | | | | <i>Favorable</i> |
| | | | | <i>(Unfavorable)</i> |
| Revenues: | | | | |
| State grants | \$ 42,000 | \$ 42,000 | \$ 43,584 | \$ (1,584) |
| Interest and rents | 100 | 100 | 1,354 | (1,254) |
| Total revenues | 42,100 | 42,100 | 44,938 | (2,838) |
| Expenditures: | | | | |
| Current | | | | |
| Public works | 42,665 | 52,354 | 36,902 | 15,452 |
| Capital outlay | 6,000 | 97,464 | 94,868 | 2,596 |
| Debt service | | | | |
| Principal | 11,442 | 11,549 | 11,549 | - |
| Interest and fees | 2,500 | 2,393 | 2,393 | - |
| Total expenditures | 62,607 | 163,760 | 145,712 | 18,048 |
| Excess (deficiency) of revenues over expenditures | (20,507) | (121,660) | (100,774) | 15,210 |
| Other financing sources: | | | | |
| Interfund transfers in | 17,090 | 17,090 | 17,090 | - |
| Change in fund balance | (3,417) | (104,570) | (83,684) | 15,210 |
| Fund balance, beginning of year | 161,777 | 161,777 | 161,777 | - |
| Fund balance, end of year | \$ 158,360 | \$ 57,207 | \$ 78,093 | \$ 15,210 |

VILLAGE OF LAKEVIEW

SPECIAL REVENUE FUND – MUNICIPAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 29, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <i>Variances with Final Budget Favorable (Unfavorable)</i> |
|--|-------------------------|--------------|---------------|--|
| | <u>Original</u> | <u>Final</u> | | <u>(Unfavorable)</u> |
| Revenues: | | | | |
| Property taxes | \$ 88,288 | \$ 89,668 | \$ 76,812 | \$ (12,856) |
| Expenditures: | | | | |
| Current | | | | |
| Public works | 12,930 | 30,020 | 17,949 | 12,071 |
| Capital outlay | - | 4,400 | 24,039 | (19,639) |
| Debt service | | | | |
| Principal | 11,442 | 11,549 | 11,549 | - |
| Interest and fees | 2,500 | 2,393 | 2,393 | - |
| Total expenditures | 26,872 | 48,362 | 55,930 | (7,568) |
| Excess (deficiency) of revenues over expenditures | 61,416 | 41,306 | 20,882 | (20,424) |
| Other financing sources (uses): | | | | |
| Interfund transfers out | (17,090) | (17,090) | (17,090) | - |
| Change in fund balance | 44,326 | 24,216 | 3,792 | (20,424) |
| Fund balance, beginning of year | 270,427 | 270,427 | 270,427 | - |
| Fund balance, end of year | \$ 314,753 | \$ 294,643 | \$ 274,219 | \$ (20,424) |

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF LAKEVIEW

COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

BALANCE SHEET AND RECONCILIATION OF FUND BALANCE TO NET POSITION

February 29, 2020

Assets:

| | |
|---------------------------|-------------------|
| Cash and cash equivalents | \$ 175,144 |
| Taxes receivable | <u>16,735</u> |
| Total assets | <u>\$ 191,879</u> |

Fund balance:

| | |
|------------|-------------------|
| Unassigned | <u>\$ 191,879</u> |
|------------|-------------------|

RECONCILIATION OF FUND BALANCE TO NET POSITION:

| | |
|---------------------------------------|------------|
| Fund balance of component unit | \$ 191,879 |
|---------------------------------------|------------|

Net position reported for the component unit in the statement of net position is different because:

Capital assets used in component unit activities are not financial resources and therefore are not reported in the fund.

| | |
|---------------------------------------|-------------------|
| Capital assets not being depreciated | 159,687 |
| Capital assets being depreciated, net | <u>455,165</u> |
| Net position of component unit | <u>\$ 806,731</u> |

VILLAGE OF LAKEVIEW

COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE AND RECONCILIATION OF CHANGE IN FUND BALANCE TO CHANGE IN NET POSITION

Year Ended February 29, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <i>Variances with Final Budget Favorable (Unfavorable)</i> |
|------------------------------------|-------------------------|-------------------|-------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Property taxes | \$ 73,840 | \$ 73,840 | \$ 73,831 | \$ (9) |
| Interest and rents | 200 | 200 | 1,917 | 1,717 |
| Total revenues | <u>74,040</u> | <u>74,040</u> | <u>75,748</u> | <u>1,708</u> |
| Expenditures: | | | | |
| Current | | | | |
| Community and economic development | <u>44,613</u> | <u>64,040</u> | <u>54,502</u> | <u>9,538</u> |
| Change in fund balance | 29,427 | 10,000 | 21,246 | 11,246 |
| Fund balance, beginning of year | <u>170,633</u> | <u>170,633</u> | <u>170,633</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 200,060</u> | <u>\$ 180,633</u> | <u>\$ 191,879</u> | <u>\$ 11,246</u> |

RECONCILIATION OF CHANGE IN FUND BALANCE TO CHANGE IN NET POSITION:

Change in fund balance of component unit \$ 21,246

Change in net position of the component unit is different because:

Component units 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.

| | |
|---|-----------------|
| Purchases of capital assets | - |
| Less depreciation expense | <u>(17,992)</u> |
| Change in net position of component unit | <u>\$ 3,254</u> |

VILLAGE OF LAKEVIEW

GOVERNMENTAL ACTIVITIES
SCHEDULE OF INDEBTEDNESS
 February 29, 2020

2015 INSTALLMENT PURCHASE AGREEMENT

| | |
|--|------------------|
| Original issue dated July 22, 2015 for | \$ 150,000 |
| Less: Principal paid in prior years | (40,409) |
| Principal paid in current year | <u>(14,301)</u> |
| Balance payable at February 29, 2020 | <u>\$ 95,290</u> |

Balance payable as follows:

| <i>Fiscal Year Ended</i> | <i>Interest Rate</i> | <i>Principal due July 22</i> | <i>Interest due July 22</i> | <i>Total Annual Requirement</i> |
|------------------------------|--------------------------|----------------------------------|---------------------------------|---|
| 2021 | 2.99% | \$ 14,765 | \$ 2,848 | \$ 17,613 |
| 2022 | 2.99% | 15,205 | 2,408 | 17,613 |
| 2023 | 2.99% | 15,660 | 1,953 | 17,613 |
| 2024 | 2.99% | 16,128 | 1,485 | 17,613 |
| 2025 | 2.99% | 16,610 | 1,003 | 17,613 |
| 2026 | 2.99% | <u>16,922</u> | <u>506</u> | <u>17,428</u> |
| | | <u>\$ 95,290</u> | <u>\$ 10,203</u> | <u>\$ 105,493</u> |

2017 GENERAL LOAN CONTRACT

| | |
|--|-------------------|
| Original issue dated June 14, 2017 for | \$ 200,000 |
| Less: Principal paid in prior years | (22,884) |
| Principal paid in current year | <u>(23,098)</u> |
| Balance payable at February 29, 2020 | <u>\$ 154,018</u> |

Balance payable as follows:

| <i>Fiscal Year Ended</i> | <i>Interest Rate</i> | <i>Principal due June 14</i> | <i>Interest due June 14</i> | <i>Total Annual Requirement</i> |
|------------------------------|--------------------------|----------------------------------|---------------------------------|---|
| 2021 | 2.50% | \$ 24,042 | \$ 3,842 | \$ 27,884 |
| 2022 | 2.50% | 24,644 | 3,240 | 27,884 |
| 2023 | 2.50% | 25,260 | 2,624 | 27,884 |
| 2024 | 2.50% | 25,891 | 1,993 | 27,884 |
| 2025 | 2.50% | 26,538 | 1,346 | 27,884 |
| 2026 | 2.50% | <u>27,643</u> | <u>682</u> | <u>28,325</u> |
| | | <u>\$ 154,018</u> | <u>\$ 13,727</u> | <u>\$ 167,745</u> |

VILLAGE OF LAKEVIEW

BUSINESS-TYPE ACTIVITIES
SCHEDULE OF INDEBTEDNESS
 February 29, 2020

SANITARY SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2014

| | |
|---|-------------------|
| Original issue dated March 21, 2014 for | \$ 695,000 |
| Less: Principal paid in prior years | (225,000) |
| Principal paid in current year | <u>(50,000)</u> |
| Balance payable at February 29, 2020 | <u>\$ 420,000</u> |

Balance payable as follows:

| <i>Fiscal</i> <i>Year Ended</i> | <i>Interest</i> <i>Rate</i> | <i>Interest due</i> <i>July 1</i> | <i>Interest due</i> <i>January 1</i> | <i>Principal due</i> <i>January 1</i> | <i>Total</i> <i>Annual</i> <i>Requirement</i> |
|------------------------------------|--------------------------------|--------------------------------------|---|--|---|
| 2021 | 2.65% | \$ 7,076 | \$ 7,076 | \$ 50,000 | \$ 64,152 |
| 2022 | 2.95% | 6,414 | 6,414 | 55,000 | 67,828 |
| 2023 | 3.25% | 5,603 | 5,602 | 50,000 | 61,205 |
| 2024 | 3.40% | 4,790 | 4,790 | 55,000 | 64,580 |
| 2025 | 3.50% | 3,855 | 3,855 | 55,000 | 62,710 |
| 2026 | 3.60% | 2,893 | 2,892 | 55,000 | 60,785 |
| 2027 | 3.70% | 1,903 | 1,902 | 30,000 | 33,805 |
| 2028 | 3.80% | 1,348 | 1,347 | 35,000 | 37,695 |
| 2029 | 3.90% | <u>683</u> | <u>682</u> | <u>35,000</u> | <u>36,365</u> |
| | | <u>\$ 34,565</u> | <u>\$ 34,560</u> | <u>\$ 420,000</u> | <u>\$ 489,125</u> |

VILLAGE OF LAKEVIEW

BUSINESS-TYPE ACTIVITIES
SCHEDULE OF INDEBTEDNESS
 February 29, 2020

WATER SUPPLY SYSTEM REVENUE REFUNDING BONDS, SERIES 2014

| | |
|---|-------------------|
| Original issue dated March 21, 2014 for | \$ 485,000 |
| Less: Principal paid in prior years | (250,000) |
| Principal paid in current year | <u>(40,000)</u> |
| Balance payable at February 29, 2020 | <u>\$ 195,000</u> |

Balance payable as follows:

| <i>Fiscal Year Ended</i> | <i>Interest Rate</i> | <i>Interest due July 1</i> | <i>Interest due January 1</i> | <i>Principal due January 1</i> | <i>Total Annual Requirement</i> |
|------------------------------|--------------------------|--------------------------------|-----------------------------------|------------------------------------|---|
| 2021 | 2.65% | \$ 3,360 | \$ 3,360 | \$ 20,000 | \$ 26,720 |
| 2022 | 2.95% | 3,095 | 3,095 | 20,000 | 26,190 |
| 2023 | 3.25% | 2,800 | 2,800 | 20,000 | 25,600 |
| 2024 | 3.40% | 2,475 | 2,475 | 20,000 | 24,950 |
| 2025 | 3.50% | 2,135 | 2,135 | 20,000 | 24,270 |
| 2026 | 3.60% | 1,785 | 1,784 | 20,000 | 23,569 |
| 2027 | 3.70% | 1,425 | 1,424 | 25,000 | 27,849 |
| 2028 | 3.80% | 963 | 962 | 25,000 | 26,925 |
| 2029 | 3.90% | <u>488</u> | <u>487</u> | <u>25,000</u> | <u>25,975</u> |
| | | <u>\$ 18,526</u> | <u>\$ 18,522</u> | <u>\$ 195,000</u> | <u>\$ 232,048</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 29, 2020, 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 June 1, 2020.

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
June 1, 2020