

Audited Financial Statements
and Other Supplementary Information

Village of Lake Orion

Year Ended June 30, 2019
with Report of Independent Auditors

Village of Lake Orion
Audited Financial Statements
and Other Supplementary Information

Year Ended June 30, 2019

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Report of Independent Auditors

To the Members of the Village Council
Village of Lake Orion, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Lake Orion, as of and for the year ended June 30, 2019, 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.

Auditors' 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Lake Orion, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Lake Orion's basic financial statements. The combining and individual nonmajor fund financial statements, component unit financial statements, and the schedules of indebtedness are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The schedules of indebtedness have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019, on our consideration of the Village of Lake Orion'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 Lake Orion's internal control over financial reporting and compliance.

Andrews Hooper Pavlik PLC

Auburn Hills, Michigan
December 20, 2019

Village of Lake Orion

Management's Discussion and Analysis

June 30, 2019

The following is a discussion and analysis of the Village of Lake Orion's (Village) financial activities for the year ended June 30, 2019. This analysis should be read in conjunction with the Report of Independent Auditors and with the Village's financial statements. All amounts, unless otherwise indicated, are presented in whole dollars.

Financial Highlights

The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$8,568,913 (net position). Included in this amount is unrestricted net position of \$399,556.

At the close of the most recent fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,590,143. Approximately 39% of this total amount, \$618,841 is available for spending at the government's discretion (unassigned fund balance).

At the end of the current fiscal year, unassigned fund balance for the general fund was \$618,841, or 38% of total general fund expenditures including operating transfers.

The Village's total debt increased by \$2,098,709 (182%) during the current fiscal year, due to new debt primarily related to water system improvements, less annual debt service payments made.

Overview of the Financial Statements

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

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

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

Village of Lake Orion

Management's Discussion and Analysis

June 30, 2019

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public works, police, streets, debt service, capital improvements, and cemetery. The business-type activity of the Village is the Water and Sewer Fund.

The government-wide financial statements include not only the Village itself (known as the primary government), but also a legally separate Downtown Development Authority (DDA) district 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.

The government-wide financial statements can be found beginning on page 10 of this report.

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

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

Village of Lake Orion

Management's Discussion and Analysis

June 30, 2019

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, the public works fund, and the police fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found beginning on page 12 of this report.

Proprietary Funds – The Village maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses an enterprise fund to account for its Water and Sewer operation.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund which is considered to be a major fund of the Village.

The basic proprietary fund financial statements can be found beginning on page 16 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found beginning on page 19 of this report.

Village of Lake Orion

Management's Discussion and Analysis

June 30, 2019

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. The notes to the financial statements can be found beginning on page 21 of this report.

Government-wide Financial Analysis

Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,578,912 at the close of the most recent fiscal year. Of the Village's net position, 86% reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Village of Lake Orion – Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets	\$ 1,771,092	\$ 1,523,919	\$ 3,349,675	\$ 2,886,339	\$ 5,120,767	\$ 4,410,258
Capital assets, net	3,181,820	3,248,618	7,406,713	5,512,964	10,588,533	8,761,582
Total assets	4,952,912	4,772,537	10,756,388	8,399,303	15,709,300	13,171,840
Deferred outflows	271,082	124,242	-	-	271,082	124,242
Liabilities:						
Long-term liabilities outstanding	3,272,331	3,262,441	2,953,384	1,103,005	6,225,715	4,365,446
Other liabilities	181,093	162,991	716,095	260,496	897,188	423,487
Total liabilities	3,453,424	3,425,432	3,669,479	1,363,501	7,122,903	4,788,933
Deferred inflows of resources	278,567	152,880	-	-	278,567	152,880
Net position:						
Net investment in capital assets	3,181,820	3,240,218	4,155,131	4,368,491	7,336,951	7,608,709
Restricted	842,405	794,429	-	-	842,405	794,429
Unrestricted (deficit)	(2,532,222)	(2,716,180)	2,931,778	2,667,311	399,556	(48,869)
Total net position	\$ 1,492,003	\$ 1,318,467	\$ 7,086,909	\$ 7,035,802	\$ 8,578,912	\$ 8,354,269

Village of Lake Orion

Management's Discussion and Analysis

June 30, 2019

Village of Lake Orion – Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charge for services	\$ 584,337	\$ 560,604	\$ 1,687,483	\$ 1,737,168	\$ 2,271,820	\$ 2,297,772
Operating grants and contributions	321,534	309,640	-	-	321,534	309,640
Capital grants and contributions	-	26,023	133,364	126,671	133,364	152,694
General revenues:						
Property taxes	1,379,726	1,321,070	-	-	1,379,726	1,321,070
State shared revenues	283,898	290,837	-	-	283,898	290,837
Unrestricted investment earnings	20,962	7,290	23,498	23,768	44,460	31,058
Transfers	199,863	169,738	(106,000)	(103,000)	93,863	66,738
Total revenues	<u>2,790,320</u>	<u>2,685,202</u>	<u>1,738,346</u>	<u>1,784,607</u>	<u>4,528,666</u>	<u>4,469,809</u>
Expenses:						
General government	698,333	821,998	-	-	701,667	821,998
Public safety	859,250	729,109	-	-	862,583	729,109
Public works	981,443	988,408	-	-	984,776	988,408
Community development	41,680	52,520	-	-	41,680	52,520
Recreation and culture	35,572	79,662	-	-	35,572	79,662
Interest on long-term debt	506	2,313	-	-	506	2,313
Water and sewer	-	-	1,687,238	1,617,958	1,687,238	1,617,958
Total expenses	<u>2,616,784</u>	<u>2,674,010</u>	<u>1,687,238</u>	<u>1,617,958</u>	<u>4,314,022</u>	<u>4,291,968</u>
Change in net position	<u>\$ 173,536</u>	<u>\$ 11,192</u>	<u>\$ 51,107</u>	<u>\$ 166,649</u>	<u>\$ 214,643</u>	<u>\$ 177,841</u>

Governmental Activities. Governmental activities increased net position by \$173,536, as compared to an increase of \$11,192 in the prior year.

Business-type Activities. Business-type activities increased net position by \$51,107, which reflect the activity in the Village's Water and Sewer Fund. In fiscal year 2018, the Water and Sewer Fund reflected an operating income of \$166,649.

Village of Lake Orion

Management's Discussion and Analysis

June 30, 2019

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$1,590,143. Approximately 39% of this total amount, \$618,841, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is nonspendable (prepaid expenditures) or restricted to indicate that it is not available for new spending because it has already been committed for police, streets, debt service, capital projects, or to generate income to pay for the perpetual care of the municipal cemetery.

Total governmental fund balances increased by \$248,568 in 2019 as compared to an increase of \$85,082 for the 2018 fiscal year.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the general fund was \$618,841, while the total fund balance was \$622,971. Unassigned fund balance represents 38% of total general fund expenditures including operating transfers, while the total fund balance represents 38% of that same amount. The fund balance of the Village's general fund increased \$143,194 during the current fiscal year.

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

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$2,931,778. The Water and Sewer Fund had an operating gain of \$40,860 at year end, and a total net gain of \$51,107, as compared to an operating gain of \$139,141 and total net gain of \$166,649 in the prior fiscal year.

General Fund Budgetary Highlights

There was a \$9,471 increase in budgeted revenues between the original budget and the final amended budget.

Village of Lake Orion

Management's Discussion and Analysis

June 30, 2019

Capital Asset and Debt Administration

Capital Assets. The Village's investment in capital assets for its governmental and business-type activities is \$10,588,533 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, machinery and equipment, park facilities, roads, and bridges. The change in the Village's investment in capital assets for the current fiscal year was a 2% decrease for governmental activities, and a 34% increase in business-type activities. Governmental capital asset additions include street improvements, equipment, a police vehicle carport and a police vehicle purchased during fiscal year 2019. Business-type capital asset additions include water line construction and costs for a Clinton River Water Resource Recovery Facility.

Long-term Debt. At the end of the current fiscal year, the Village had total bond debt outstanding of \$3,251,582, which is entirely business-type activities.

At the end of the current fiscal year, the Village's Component Unit (DDA) had an advance from the Water & Sewer Fund outstanding of \$240,000 to assist the DDA in financing the streetscape project.

The Village of Lake Orion continues to maintain a stable rating of "AA-" from Standard and Poor's for bond debt.

Economic Factors and Future Budgets and Rates

For the 2019/2020 budget year, the Village anticipates a slight increase in property tax revenue as well as a slight increase in state shared revenue received from the State of Michigan. The Village will also continue work on the water main project throughout the Village, which will be funded through a Drinking Water Revolving Fund loan.

The Village has made every effort to reduce expenses while maintaining services to its citizens. Each year it has been an increasing challenge as the Village has seen shrinkage in staff, equipment, and other important resources.

Requests for Information

This financial report is designed to provide a general overview of the Village of Lake Orion's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to 21 E. Church Street, Lake Orion, Michigan 48362.

Village of Lake Orion

Statement of Net Position

June 30, 2019

	Primary Government			Component Unit – DDA
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,446,110	\$ 2,023,855	\$ 3,469,965	\$ 574,749
Current investments	-	100,000	100,000	-
Receivables (net of allowance for uncollectibles)	163,366	485,971	649,337	-
Due from other governmental units	141,901	498,499	640,400	-
Prepaid expenditures	19,715	1,350	21,065	5,713
Total current assets	<u>1,771,092</u>	<u>3,109,675</u>	<u>4,880,767</u>	<u>580,462</u>
Advance to component unit	-	240,000	240,000	-
Capital assets – non-depreciating	498,484	2,224,249	2,722,733	113,479
Capital assets, net of accumulated depreciation	<u>2,683,336</u>	<u>5,182,464</u>	<u>7,865,800</u>	<u>2,793,220</u>
Net capital assets	<u>3,181,820</u>	<u>7,406,713</u>	<u>10,588,533</u>	<u>2,906,699</u>
Total assets	<u>4,952,912</u>	<u>10,756,388</u>	<u>15,709,300</u>	<u>3,487,161</u>
Deferred outflow of resources				
Deferred outflow related to pensions	270,623	-	270,623	-
Deferred outflow related to OPEB	459	-	459	-
Total outflow of resources	<u>271,082</u>	<u>-</u>	<u>271,082</u>	<u>-</u>
Liabilities				
Current liabilities:				
Accounts payable	45,389	202,302	247,691	60,930
Contract retainage	-	201,420	201,420	-
Accrued liabilities/interest	27,272	9,991	37,263	-
Current portion of compensated absences	108,432	500	108,932	-
Current portion of long-term debt	-	301,882	301,882	120,000
Total current liabilities	<u>181,093</u>	<u>716,095</u>	<u>897,188</u>	<u>180,930</u>
Noncurrent liabilities:				
Net other post employment benefits liability	1,809,020	-	1,809,020	-
Net pension liability	1,327,209	-	1,327,209	-
Compensated absences, net of current portion	136,102	3,684	139,786	-
Long-term debt, net of current portion	-	2,949,700	2,949,700	120,000
Total noncurrent liabilities	<u>3,272,331</u>	<u>2,953,384</u>	<u>6,225,715</u>	<u>120,000</u>
Total liabilities	<u>3,453,424</u>	<u>3,669,479</u>	<u>7,122,903</u>	<u>300,930</u>
Deferred inflow of resources				
Deferred inflow related to OPEB	170,279	-	170,279	-
Taxes levied for the following year	108,288	-	108,288	-
Total deferred inflow of resources	<u>278,567</u>	<u>-</u>	<u>278,567</u>	<u>-</u>
Net position				
Net investment in capital assets	3,181,820	4,155,131	7,336,951	2,666,699
Restricted for:				
Police	118,495	-	118,495	-
Streets	437,504	-	437,504	-
Perpetual care	286,406	-	286,406	-
Unrestricted	(2,532,222)	2,931,778	399,556	519,532
Total net position	<u>\$ 1,492,003</u>	<u>\$ 7,086,909</u>	<u>\$ 8,578,912</u>	<u>\$ 3,186,231</u>

See accompanying notes.

Village of Lake Orion

Statement of Activities

Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating	Capital	Primary Government			Component Unit - DDA
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities:								
General government	\$ 687,564	\$ 24,017	\$ -	\$ -	\$ (663,547)	\$ -	\$ (663,547)	\$ -
Public safety	859,250	198,935	18,922	-	(641,393)	-	(641,393)	-
Public works	981,443	346,518	302,612	-	(332,313)	-	(332,313)	-
Community development	41,678	10,205	-	-	(31,473)	-	(31,473)	-
Recreation and culture	46,342	4,661	-	-	(41,681)	-	(41,681)	-
Interest on long-term debt	506	-	-	-	(506)	-	(506)	-
Total governmental activities	2,616,783	584,336	321,534	-	(1,710,913)	-	(1,710,913)	-
Business-type activities:								
Water and sewer	1,687,238	1,687,483	-	133,364	-	133,609	133,609	-
Total primary government	\$ 4,304,021	\$ 2,271,819	\$ 321,534	\$ 133,364	\$ (1,710,913)	\$ 133,609	\$ (1,577,304)	\$ -
Component unit:								
Downtown development authority	\$ 664,035	\$ 31,466	\$ -	\$ -	-	-	-	(632,569)
General revenues and transfers:								
Property taxes					1,379,726	-	1,379,726	641,195
Other taxes					-	-	-	8,109
Operating grants and contributions					-	-	-	81,338
State grants					-	-	-	268
State shared revenue					283,898	-	283,898	-
Unrestricted investment earnings					20,962	23,498	44,460	7,366
Transfers					199,863	(106,000)	93,863	(93,863)
Total general revenues and transfers					1,884,449	(82,502)	1,801,947	644,413
Change in net position					173,536	51,107	224,643	11,844
Net position at beginning of year					1,318,467	7,035,802	8,354,269	3,174,387
Net position at end of year					\$ 1,492,003	\$ 7,086,909	\$ 8,578,912	\$ 3,186,231

See accompanying notes.

Village of Lake Orion

Governmental Funds Balance Sheet

June 30, 2019

	Special Revenue			Other Governmental Funds	Total Governmental Funds
	General Fund	Public Works Fund	Police Fund		
Assets					
Cash and cash equivalents	\$ 501,372	\$ 113,572	\$ 140,244	\$ 690,922	\$ 1,446,110
Receivables (net of allowance for uncollectibles)	53,907	-	109,459	-	163,366
Due from State	90,779	-	-	47,125	137,904
Due from County	-	-	3,997	-	3,997
Prepaid expenditures	4,130	4,912	9,109	1,564	19,715
Total assets	\$ 650,188	\$ 118,484	\$ 262,809	\$ 739,611	\$ 1,771,092
Liabilities, deferred inflows of resources, and fund balance					
Liabilities:					
Accounts payable	\$ 16,571	\$ 7,515	\$ 15,074	\$ 6,229	\$ 45,389
Accrued and other liabilities	10,646	4,783	11,843	-	27,272
Total liabilities	27,217	12,298	26,917	6,229	72,661
Deferred inflows of resources:					
Taxes levied for the following year	-	-	108,288	-	108,288
Fund balance:					
Nonspendable – prepaid expenditures	4,130	4,912	9,109	1,564	19,715
Restricted for:					
Police	-	-	118,495	-	118,495
Streets	-	-	-	437,504	437,504
Capital projects	-	-	-	7,908	7,908
Perpetual care	-	-	-	286,406	286,406
Committed for public works	-	101,274	-	-	101,274
Unassigned	618,841	-	-	-	618,841
Total fund balance	622,971	106,186	127,604	733,382	1,590,143
Total liabilities, deferred inflows of resources, and fund balance	\$ 650,188	\$ 118,484	\$ 262,809	\$ 739,611	\$ 1,771,092

See accompanying notes.

Village of Lake Orion

Governmental Funds

Reconciliation of Balance Sheet to Statement of Net Position

June 30, 2019

Total fund balance – governmental funds \$ 1,590,143

Total 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 funds:

Net cost of capital assets 3,181,820

Governmental funds report actual pension and other post employment benefit expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions 270,623
Deferred outflows of resources related to other post employment benefits 459
Deferred inflows of resources related to other post employment benefits (170,279)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year-end consist of:

Net other post employment benefit liability (1,809,020)
Net pension liability (1,327,209)
Compensated absences (244,534)
Net position – governmental activities \$ 1,492,003

Village of Lake Orion
 Governmental Funds
 Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2019

	<u>Special Revenue</u>			Other Governmental Funds	Total Governmental Funds
	General Fund	Public Works Fund	Police Fund		
Revenues					
Property taxes	\$ 1,065,272	\$ -	\$ 314,454	\$ -	\$ 1,379,726
Intergovernmental:					
Federal, state, and local	283,898	-	18,922	302,612	605,432
Charges for services	197,978	139,219	90,690	20,400	448,287
Fines and forfeitures	-	-	96,767	4,336	101,103
Interest	8,532	611	3,046	8,773	20,962
Other revenues	19,681	3,787	11,478	-	34,946
Total revenues	1,575,361	143,617	535,357	336,121	2,590,456
Expenditures					
Current:					
General government	509,523	-	-	-	509,523
Public safety	-	-	799,420	-	799,420
Public works	209,111	453,657	-	324,379	987,147
Parking	-	-	-	4,343	4,343
Community and economic development	41,678	-	-	-	41,678
Recreation and culture	49,471	-	-	-	49,471
Other	67,247	-	-	-	67,247
Debt service:					
Principal	-	-	8,400	-	8,400
Interest and other charges	-	-	506	-	506
Capital outlay	-	8,800	65,216	-	74,016
Total expenditures	877,030	462,457	873,542	328,722	2,541,751
Excess of revenues over (under) expenditures	698,331	(318,840)	(338,185)	7,399	48,705
Other financing sources (uses)					
Transfers in	199,863	377,000	385,000	40,000	1,001,863
Transfers out	(755,000)	-	-	(47,000)	(802,000)
Total other financing sources and uses	(555,137)	377,000	385,000	(7,000)	199,863
Net change in fund balance	143,194	58,160	46,815	399	248,568
Fund balance at beginning of year	479,777	48,026	80,789	732,983	1,341,575
Fund balance at end of year	\$ 622,971	\$ 106,186	\$ 127,604	\$ 733,382	\$ 1,590,143

Village of Lake Orion

Governmental Funds
Reconciliation of Statement of Revenues, Expenditures, and
Changes in Fund Balance to Statement of Activities

Year Ended June 30, 2019

Net change in fund balance – governmental funds \$ 248,568

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. Also, when capital assets are disposed prior to being fully depreciated, the loss on disposal is recorded in the statement of activities, but not in the governmental funds. In the current period, these amounts are:

Capital outlay	168,418
Depreciation expense	(235,216)

Repayment of long-term debt and borrowing of long-term debt are reported as expenditures and other financing sources in the governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current period, these amounts are:

Principal repayments	8,400
----------------------	-------

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. In the current period, these items consist of:

Change in net other post employment benefit liability	261,758
Change in deferred outflows related to pensions and OPEB	146,840
Change in deferred inflows related to pensions and OPEB	(123,965)
Change in net pension liability	(273,368)
Change in compensated absences	(27,899)
Change in net position – governmental activities	<u>\$ 173,536</u>

Village of Lake Orion
 Proprietary Fund
 Statement of Net Position

June 30, 2019

	Enterprise Fund
	Water and Sewer
Assets	
Current assets:	
Cash and cash equivalents	\$ 2,023,855
Current investments	100,000
Accounts receivable	485,971
Due from State	498,499
Prepaid expenses	1,350
Total current assets	3,109,675
Advance to component unit	240,000
Property, plant, and equipment	15,017,758
Less: Accumulated depreciation	(7,611,045)
Net property, plant, and equipment	7,406,713
Total assets	10,756,388
Liabilities	
Current liabilities:	
Accounts payable	202,302
Contract retainage	201,420
Accrued interest	9,991
Current portion of compensated absences	500
Current portion of bonds payable	301,882
Total current liabilities	716,095
Long-term liabilities:	
Compensated absences, less current portion	3,684
Bonds payable, less current portion	2,949,700
Total long-term liabilities	2,953,384
Total liabilities	3,669,479
Net position	
Net investment in capital assets	4,155,131
Unrestricted	2,931,778
Total net position	\$ 7,086,909

Village of Lake Orion

Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2019

	Enterprise Fund
	Water and Sewer
Operating revenues	
Charges for services	\$ 1,659,899
Penalty charges	27,084
Miscellaneous	500
Total operating revenues	<u>1,687,483</u>
Operating expenses	
Salaries and fringe benefits	72,377
Water purchases	396,744
Sewage treatment	769,400
General and administrative	11,860
Supplies	12,286
Contract services	95,946
Equipment repairs and rentals	27,784
Depreciation	260,226
Total operating expenses	<u>1,646,623</u>
Operating income	40,860
Nonoperating revenues (expenses)	
State grants	94,958
Interest earned	23,498
Interest expense and related fees	(40,615)
Total nonoperating revenues (expenses)	<u>77,841</u>
Income before contributions and transfers	118,701
Capital contributions	
Capital and lateral charges	38,406
Transfers	
Transfers out	<u>(106,000)</u>
Change in net position	51,107
Net position at beginning of period	7,035,802
Net position at end of period	<u><u>\$ 7,086,909</u></u>

Village of Lake Orion

Proprietary Fund
Statement of Cash Flows

Year Ended June 30, 2019

	Enterprise Fund
	Water and Sewer
Cash flows from operating activities	
Receipts from customers and users	\$ 1,874,574
Payments to suppliers	(1,122,607)
Payments to employees	(72,377)
Net cash from operating activities	<u>679,590</u>
Cash flows from capital and related financing activities	
Collection of capital and lateral charges	38,406
State grants, net	(130,025)
Payment for capital acquisitions	(2,153,975)
Proceeds from issuance of capital debt	2,152,261
Principal paid on capital debt	(46,903)
Interest paid on capital debt	(30,624)
Transfer to other funds	(106,000)
Net cash from capital and related financing activities	<u>(276,860)</u>
Cash flows from investing activities	
Maturity of certificates of deposit, net	600,000
Interest earned	23,498
Net cash from investing activities	<u>623,498</u>
Net change in cash and cash equivalents	1,026,228
Cash and cash equivalents at beginning of period	997,627
Cash and cash equivalents at end of period	<u>\$ 2,023,855</u>
Reconciliation of operating income to net cash from operating activities:	
Operating income	\$ 40,860
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	260,226
Change in receivables	67,091
Change in prepaids	784
Change in advance to component unit	120,000
Change in accounts payable and contract retainage	190,629
Net cash from operating activities	<u>\$ 679,590</u>

See accompanying notes.

Village of Lake Orion
 Fiduciary Funds
 Statement of Fiduciary Net Position

June 30, 2019

	Retiree Healthcare Trust Fund	Agency Fund
Assets		
Cash and cash equivalents	\$ -	\$ 61,567
Investments, at fair value:		
Mutual funds	126,880	-
Accounts receivable	10,000	-
Total assets	136,880	61,567
Liabilities		
Due to other funds	-	-
Due to other	-	61,567
	-	61,567
Net Position		
Held in trust for retirement benefits	\$ 136,880	\$ -

Village of Lake Orion
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 Year Ended June 30, 2019

	<u>Retiree Healthcare Trust Fund</u>
Additions	
Contributions:	
Employer	\$ 10,000
Investment earnings:	
Net increase in fair value of investments	<u>5,716</u>
Total additions	<u>15,716</u>
Deductions	
Fees	<u>596</u>
Change in net position	15,120
Net position at beginning of year	<u>121,760</u>
Net position at end of year	<u><u>\$ 136,880</u></u>

Village of Lake Orion
Notes to Financial Statements

June 30, 2019

1. Summary of Significant Accounting Policies

The accounting policies of the Village of Lake Orion (Village) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant policies used by the Village.

Reporting Entity

The Village was incorporated in 1859. The Village operates under an elected Village Council, with a full-time Village Manager appointed by the Council to carry out the policies that it establishes. Services are provided to approximately 2,975 residents in the areas of police, refuse removal, parks and recreation, road construction, lighting, maintenance, and water and sewer.

As required by generally accepted accounting principles, these financial statements present the Village and its component units, entities for which the government 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 it is legally separate from the government.

Discretely Presented Component Unit

Downtown Development Authority (DDA)

The Village of Lake Orion Downtown Development Authority (DDA) was established to promote economic growth and revitalization of the Village's business district. The DDA Board is appointed by the Village Council, and the annual operating budget and any modifications require the approval of the Village Council. The DDA has a June 30 fiscal year end.

Description of Government-Wide and Fund Financial Statements

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

Village of Lake Orion
Notes to Financial Statements

June 30, 2019

1. Summary of Significant Accounting Policies (continued)

Description of Government-Wide and Fund Financial Statements (continued)

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental and internal service funds, while business-type activities incorporate data from the Village's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As discussed earlier, the Village has one discretely presented component unit. Although all may not be considered to be major component units, they are nevertheless shown in separate columns in the government-wide financial statements.

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

Village of Lake Orion

Notes to Financial Statements

June 30, 2019

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the Village’s funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The Village reports the following major governmental funds:

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

Public Works Fund – Public Works Fund is a special revenue fund used to account for the activity of the Department of Public Works, including cemetery operations.

Police Fund – Police Fund is a special revenue fund used to account for the revenues and expenditures of the police department.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds include the enterprise fund types.

The Village reports the following major proprietary fund:

Enterprise Funds – Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Village Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Village has one enterprise fund, which is the Water and Sewer Fund.

Village of Lake Orion
Notes to Financial Statements

June 30, 2019

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation – Fund Financial Statements (continued)

The Village reports the following fiduciary funds:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary funds include the following fund types:

Retiree Healthcare Trust Fund – Retiree Healthcare Trust Fund accumulates resources for future retiree health care payments.

Agency Fund – Agency Fund is used to account for assets that the government holds for others in an agency capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Additionally, the Village reports the following fund types:

Special Revenue Fund – Special Revenue Fund is used to account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

Capital Project Fund – Capital Project Fund is used to account for the financial resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary Funds.)

Permanent Fund – Permanent Fund is used to report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs. This includes the Perpetual Care Fund for the municipal cemetery.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

Village of Lake Orion

Notes to Financial Statements

June 30, 2019

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation – Fund Financial Statements (continued)

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 (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type 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. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Use of Estimates

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

Measurement Focus and Basis of Accounting

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

Village of Lake Orion
Notes to Financial Statements

June 30, 2019

1. Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted for the General Fund, all special revenue funds, capital project funds, enterprise and internal service funds and the discretely presented component unit. The DDA budget is based upon a fiscal year which matches the Village's fiscal year. The Village Administrator submits to the Council a proposed operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and the means of financing them. Budgets are prepared on a basis consistent with the accounting basis utilized by the fund. Public hearings are conducted to obtain taxpayer comments. Prior to April 1, the budget is legally enacted through a resolution passed by the Council. The budget and approved appropriations lapse at the end of the fiscal year. The Village does not maintain a formal encumbrance accounting system. The budgets are adopted on a functional basis. Expenditures may not legally exceed the budgeted amounts by function for these funds. The Village Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Council.

Comparisons to budget are presented as required by GAAP for all major governmental funds for which budgets were legally adopted. Budgets are adopted on a basis consistent with GAAP.

Village of Lake Orion
Notes to Financial Statements

June 30, 2019

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Position/Fund Balance

Cash and Cash Equivalents

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Village to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks.

Investments

Investments for the Village, as well as for its component units, are recorded at fair value or estimated fair value. Current investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established fair value are reported at estimated fair value as determined by management.

Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. All trade and property tax receivables are shown net of allowance for uncollectible accounts, which are recorded at \$0 as of June 30, 2019.

Village of Lake Orion

Notes to Financial Statements

June 30, 2019

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Position/Fund Balance (continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, lighting systems, and similar assets that are immovable and of value only to the Village), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of capitalized value of the assets constructed. Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Land improvements	10-50 years
Buildings	40 years
Street and road improvements	50 years
Water and sewer lines	50 years
Equipment	5-10 years
Vehicles	5-10 years

Compensated Absences

In accordance with contracts negotiated with the various employee groups of the Village and the Village's internal policy, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured. The long-term portion of compensated absences related to the governmental funds is a liability recorded in the statement of net position. This liability is composed of employees who retire and any unused vacation paid upon termination of employment.

Village of Lake Orion
Notes to Financial Statements

June 30, 2019

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Position/Fund Balance (continued)

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the 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 state of net position. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the statement of net position. Long-term liabilities expected to be financed from proprietary funds are reported as liabilities in those funds.

Fund Balance Classifications

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

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

Restricted – amounts constrained to specific purposes by their providers (such as creditors, grantors, and higher levels of government), through constitutional provisions, or by enabling legislations.

Committed – amounts which are subject to limitations the Village imposes upon itself through official actions made by the Village Council, and that remain binding unless removed in the same manner.

Assigned – amounts neither restricted nor committed for which the Village has a stated intended use as established by the Village Council or an official to which the Village Council has delegated the authority to assign amounts for specific purposes.

Unassigned – amounts that are available for any purpose.

Village of Lake Orion
Notes to Financial Statements

June 30, 2019

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Position/Fund Balance (continued)

The Village would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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 Village's enterprise fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the systems. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

2. Deposits and Investments

Under State law, the Village is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades.

The following information, as required by the Governmental Accounting Standards Board Statement number 40 is presented, regarding the Village's deposits and investments:

Custodial Credit Risk. Custodial Credit Risk is the risk that in the event of a bank failure, the Village's deposits may not be recovered. Neither State law nor the Village's investment policy requires consideration of custodial credit risk. As of June 30, 2019, the Village's cash and investments totaled \$3,631,532 and consisted of deposits and investments of \$3,630,610 and \$922 in cash on hand. The bank balance was \$3,892,615 which was exposed to custodial credit risk, as follows:

	<u>Bank Balance</u>
Insured by FDIC	\$ 716,199
Uninsured and uncollateralized	<u>3,176,416</u>
Total	<u><u>\$ 3,892,615</u></u>

Village of Lake Orion
Notes to Financial Statements

June 30, 2019

2. Deposits and Investments (continued)

A reconciliation of cash for the primary government follows:

Cash and cash equivalents per:	
Statement of net position	\$ 3,469,965
Statement of fiduciary net position	<u>61,567</u>
Total	<u><u>\$ 3,531,532</u></u>

As of June 30, 2019, the carrying amount and bank balances of the component units of the Village are as follows:

	Carrying Amount	Bank Balance	FDIC Insured
Downtown Development Authority	\$ 574,749	\$ 601,874	\$ 70,327

Village of Lake Orion
Notes to Financial Statements

June 30, 2019

2. Deposits and Investments (continued)

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing rates. The Village's deposits and investments consisted of the following:

Deposits and Investments	Fair Value	Weighted Average Maturity
Primary Government:		
Savings and checking accounts	\$ 1,615,600	Demand
Pooled investments (share price \$1)	1,915,010	Demand
Certificates of Deposits – current investments	100,000	365 days
	<u>\$ 3,630,610</u>	
Trust Funds:		
Mutual Funds – Bonds	\$ 43,926	N/A
Mutual Funds – Equity	82,954	N/A
	<u>\$ 126,880</u>	

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds, and qualified external investment pools as identified above. The Village has no investment policy that would further limit its investment choices.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. The Village does not have a policy that would limit exposure to custodial credit risk for deposits.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Village does not have a policy for investment custodial credit risk. Therefore, there is no custodial credit risk for investments to be disclosed.

Village of Lake Orion
Notes to Financial Statements

June 30, 2019

2. Deposits and Investments (continued)

Investment and Deposit Risk (continued)

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Village's investment policy places no limit on the amount the Village may invest in any one issuer.

Fair Value Measurements

The Village categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified within the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Village's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset.

The Village has the following recurring fair value measurements as of June 30, 2019:

	Balance at June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
OPEB mutual funds – fixed income	\$ 43,926	\$ 43,926	\$ -	\$ -
Equity securities				
OPEB mutual funds – equity	82,954	82,954	-	-
Total investments by fair value level	<u>\$ 126,880</u>	<u>\$ 126,880</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Oakland County Investment Pool	1,838,190			
Michigan CLASS	76,820			
Total investments measured at NAV	<u>1,915,010</u>			
Total investments measured at fair value	<u>\$ 2,041,890</u>			

Village of Lake Orion
Notes to Financial Statements

June 30, 2019

2. Deposits and Investments (continued)

Fair Value Measurements (continued)

Debt and equity securities (mutual funds) classified in Level 1 are valued using prices quoted in active markets for those securities. The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

Investments in Entities that Calculate Net Asset Value per Share

The Village holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At June 30, 2019, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Oakland County Investment Pool	\$ 1,838,190	\$ -	No limitations	None
Michigan CLASS	76,820	-	No limitations	None
Total	\$ 1,915,010	\$ -		

The Oakland County Investment Pool is a portfolio combining investments in U.S. government securities, certificates of deposit, and cash equivalents. These investments are made in conformance with PA 20 of 1943 and the Oakland County Investment Policy. This investment policy demands three standards for investment: safety of principal, liquidity of investment, and return on investment.

The Michigan Cooperative Liquid Assets Securities System (CLASS) investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high grade commercial paper (rated “A1” or better), collateralized bank deposits, repurchase agreements (collateralized at 102% by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under the state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

Village of Lake Orion
Notes to Financial Statements

June 30, 2019

3. Interfund Receivables, Payables, and Transfers

The transfers between funds may be summarized as follows:

Transfers In	Transfers Out	Amount
Public Works Fund	General Fund	\$ 370,000
Police Fund	General Fund	385,000
General Fund	Water Sewer Fund	106,000
General Fund	DDA	93,863
Public Works Fund	Cemetery Trust	7,000
Local Street Fund	Major Street Fund	40,000
		\$ 1,001,863

Interfund transfers are used to: 1) transfer revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; 2) transfer receipts restricted to debt service from the funds collecting the receipts to the debt service funds as debt service payments become due; and 3) transfer unrestricted revenues collected in the General Fund to other funds to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

Village of Lake Orion
Notes to Financial Statements

June 30, 2019

4. Capital Assets

Capital assets activity for primary government for the year ended June 30, 2019 was as follows:

Governmental Activities	Beginning Balance	Additions	Disposals	Ending Balance
General				
Capital assets not being depreciated:				
Land	\$ 498,484	\$ -	\$ -	\$ 498,484
Capital assets being depreciated:				
Land improvements	444,465	-	-	444,465
Street and road improvements	2,371,147	106,829	-	2,477,976
Building and improvements	1,453,679	14,350	-	1,468,029
Machinery and equipment	648,443	14,883	-	663,326
Vehicles	673,700	32,356	(30,172)	675,884
Total capital assets being depreciated	5,591,434	168,418	(30,172)	5,729,680
Accumulated depreciation:				
Land improvements	(402,197)	(12,958)	-	(415,155)
Street and road improvements	(832,874)	(49,560)	-	(882,434)
Building and improvements	(489,649)	(74,984)	-	(564,633)
Machinery and equipment	(579,355)	(58,525)	-	(637,880)
Vehicles	(537,225)	(39,189)	30,172	(546,242)
Total accumulated depreciation	(2,841,300)	(235,216)	30,172	(3,046,344)
Total general capital assets being depreciated, net	2,750,134	(66,798)	-	2,683,336
Total governmental activities capital assets, net	\$ 3,248,618	\$ (66,798)	\$ -	\$ 3,181,820

The depreciation expense was \$235,216 during the year.

Depreciation expense was charged on the statement of activities as follows:

Governmental Activities	
General government	\$ 113,227
Public safety	40,849
Public works	75,386
Recreation and culture	5,754
Total depreciation expense – governmental activities	<u>\$ 235,216</u>

Village of Lake Orion
Notes to Financial Statements

June 30, 2019

4. Capital Assets (continued)

Business-Type Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 226,740	\$ 1,997,509	\$ -	\$ 2,224,249
Capital assets being depreciated:				
Water and sewer mains	11,393,931	156,466	-	11,550,397
Equipment	342,399	-	-	342,399
Intangible assets – water lines	900,713	-	-	900,713
Total capital assets being depreciated	12,637,043	156,466	-	12,793,509
Accumulated depreciation:				
Water and sewer mains	(6,606,524)	(226,762)	-	(6,833,286)
Equipment	(203,865)	(10,947)	-	(214,812)
Intangible assets – water lines	(540,430)	(22,517)	-	(562,947)
Total accumulated depreciation	(7,350,819)	(260,226)	-	(7,611,045)
Business-type capital assets being depreciated, net	5,286,224	(103,760)	-	5,182,464
Business-type activities capital assets, net	\$ 5,512,964	\$ 1,893,749	\$ -	\$ 7,406,713

Depreciation expense was \$260,226 during the year. All depreciation expense was charged to the water and sewer function in the statement of activities.

Component Unit – DDA	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 113,479	\$ -	\$ -	\$ 113,479
Capital assets being depreciated:				
Land improvements	807,621	-	-	807,621
Street and road improvements	3,266,425	207,771	-	3,474,196
Equipment	12,774	-	-	12,774
Total capital assets being depreciated	4,086,820	207,771	-	4,294,591
Accumulated depreciation:				
Land improvements	(576,662)	(36,448)	-	(613,110)
Street and road improvements	(786,372)	(90,477)	-	(876,849)
Equipment	(11,058)	(354)	-	(11,412)
Total accumulated depreciation	(1,374,092)	(127,279)	-	(1,501,371)
Component unit capital assets being depreciated, net	2,712,728	80,492	-	2,793,220
Component unit capital assets, net	\$ 2,826,207	\$ 80,492	\$ -	\$ 2,906,699

Depreciation expense was \$127,279 during the year.

Village of Lake Orion

Notes to Financial Statements

June 30, 2019

4. Capital Assets (continued)

The Village has active construction projects at year-end. At year-end, the Village's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Water main project	\$ 2,224,249	\$ 3,805,751

In addition, the Village has active construction projects that are administered through Oakland County, Michigan and will be funded through long-term debt within the Water and Sewer Fund.

5. Long-Term Debt

The following is a summary of long-term debt transactions of the Village for the year ended June 30, 2019:

	<u>Balance July 1, 2018</u>	<u>Add: Additional Debt Incurred</u>	<u>Less: Retirements and Payments on Debt</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Governmental Activities:					
Installment loan	\$ 8,400	\$ -	\$ 8,400	\$ -	\$ -
Compensated absences	216,635	27,899	-	244,534	108,432
Total governmental activities	<u>225,035</u>	<u>27,899</u>	<u>8,400</u>	<u>244,534</u>	<u>108,432</u>
Business-type Activities:					
County Interceptor Bonds	896,835	-	46,868	849,967	48,030
Resource Recovery Facility Bonds	20,898	156,468	-	177,366	8,852
Drinking Water Revolving Fund Bonds	226,740	1,997,509	-	2,224,249	245,000
Compensated absences	5,935	-	1,751	4,184	500
Total business-type activities	<u>1,150,408</u>	<u>2,153,977</u>	<u>48,619</u>	<u>3,255,766</u>	<u>302,382</u>
Total	<u>\$ 1,375,443</u>	<u>\$ 2,181,876</u>	<u>\$ 57,019</u>	<u>\$ 3,500,300</u>	<u>\$ 410,814</u>
Component Unit – DDA:					
Long-term advance	<u>\$ 360,000</u>	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ 240,000</u>	<u>\$ 120,000</u>

Village of Lake Orion

Notes to Financial Statements

June 30, 2019

5. Long-Term Debt (continued)

The following is a summary of general obligation debt outstanding (excluding compensated absences) of the Village as of June 30, 2019:

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding
Business-type Activities:				
County Interceptor Bonds	7	2.00-5.90%	2035	\$ 849,967
Resource Recovery Facility Bonds	1	2.50%	2036	177,366
Drinking Water Revolving Fund Bonds	1	2.00%	2039	2,224,249
				<u>\$ 3,251,582</u>
Component Unit – DDA				
Long term advance	1	2.00%	2021	<u>\$ 240,000</u>

In July 2010, the Oakland-Macomb Interceptor Drain Drainage Board assessed the Village of Lake Orion, along with other communities within the drainage district, for the maintenance and rehabilitation of the Oakland-Macomb Interceptor Drain, under the provisions of the Michigan Drain Code, Public Act 40 of 1956, Section 526. Bonds were issued in the amount of \$26,076,000, Series 2010A, maturing in 2031 with an interest rate of 2.50%, \$6,731,484, Series 2010B, maturing in 2030 with interest rates of 1.45-5.90%, Series 2011, maturing in 2033 with an interest rate of 2.50%, \$65,140,000, Series 2013A, maturing in 2034 with an interest rate of 2.00%, Series 2014A maturing in 2034 with interest rates of 2.00-3.50%, and Series 2015 maturing in 2035 with interest rates of 2.00-3.50%. The Village's portion of .6612% of the total debt as of June 30, 2019 is \$849,967.

During fiscal year 2011, the Downtown Development Authority commenced construction on a Streetscape and Children's Park improvement project. The Village has authorized an amount of up to \$1,200,000 be loaned to the DDA from the Water and Sewer Fund. The loan was made by transfers in incremental amounts as necessary for payment by the DDA of its financial obligations for the improvements. All loan amounts transferred will bear interest at the simple annual interest rate of 2.00% from the date of transfer until full repayment. Repayment will be made in 10 annual installments commencing October 1, 2011 through 2021.

Village of Lake Orion

Notes to Financial Statements

June 30, 2019

5. Long-Term Debt (continued)

In 2017, the Village received notice from Oakland County Water Resources Commissioner that the Clinton River Water Resource Recovery Drainage District is planning to construct a Biosolids Handling and Septage Receiving Facility. The total estimated cost of the project is approximately \$40 million. The Village's estimated share of the total expected debt issue of approximately \$29.5 million is 0.7698% or approximately \$227,000. Each of the participating communities were given the option to prepay the assessment or pay the assessment through a debt issue over 20 years. The Village elected to pay the assessment through a debt issue over 20 years. Through June 30, 2019, the Village's share of the total debt incurred to date is \$177,366.

In 2017, the Village entered into an agreement with the State of Michigan Department of Environmental Quality, Drinking Water Revolving Fund loan program to upgrade certain portions of the Village's water main infrastructure. The total amount of the loan approved is \$6,030,000. The bonds will be purchased by the Michigan Finance Authority. Annual debt service begins April 1, 2020 and continues with annual payments due through 2039. Interest on the bonds is payable semi-annually on October 1 and April 1 at 2.00% per annum. The total amount incurred to date is \$2,224,249.

The annual debt service requirements to maturity for general obligation debt outstanding as of June 30, 2019 are as follows:

Year Ended	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ -	\$ -	\$ 301,882	\$ 69,056
2021	-	-	313,294	66,008
2022	-	-	319,660	62,718
2023	-	-	326,131	59,359
2024	-	-	332,684	55,907
2025-2029	-	-	1,266,796	198,019
2030-2034	-	-	332,843	27,252
2035-2036	-	-	58,292	952
	\$ -	\$ -	\$ 3,251,582	\$ 539,271

Village of Lake Orion

Notes to Financial Statements

June 30, 2019

5. Long-Term Debt (continued)

Component Unit – DDA		
Year Ended	Principal	Interest
2020	\$ 120,000	\$ 4,800
2021	120,000	1,800
	<u>\$ 240,000</u>	<u>\$ 6,600</u>

6. Employees' Retirement System

General Plan Information

The Village participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member retirement board. MERS is a not-for-profit organization that was granted independence from the State of Michigan pursuant to Public Act 220 of 1996, effective August 15, 1996. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at <http://www.mersofmich.com> or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided

The Village's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The Plan covers all full-time employees at the Village including union and non-union employees. As of July 1, 2012, the Village closed all defined benefit groups to new members. Benefits are calculated as 2.25% of the employee's three-year final average compensation multiplied by the employee's years of service with a maximum of 80% of final average compensation. Normal retirement age is 60. Deferred retirement benefits vest after 10 years of credited service but are not paid until the date retirement would have occurred if the member had remained an employee.

Benefit terms, within the guidelines established by MERS, are generally established and amended by authority of the Village Council, generally after negotiations of these terms with the affected unions. Police employee benefit terms may be subject to binding arbitration in certain circumstances.

Village of Lake Orion
Notes to Financial Statements

June 30, 2019

6. Employees' Retirement System (continued)

As of the December 31, 2018 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	14
Inactive plan members entitled to, but not yet receiving benefits	4
Active plan members	<u>4</u>
Total employees covered by MERS plan	<u><u>22</u></u>

Contributions

Article 9, Section 24 of the State of Michigan Constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2019, the average active employee contribution rate was 5.00% of gross wages for police union employees and 5.00% of gross wages for public works employees. The Village's contribution rate was a monthly flat rate of \$10,506.

Village of Lake Orion
Notes to Financial Statements

June 30, 2019

6. Employees' Retirement System (continued)

Net Pension Liability

The net pension liability reported as of June 30, 2019 was determined using a measure of the total pension liability and the plan net position as of December 31, 2018. The December 31, 2018 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance as of December 31, 2017	\$ 3,879,592	\$ 2,825,751	\$ 1,053,841
Service cost	24,122	-	24,122
Interest	299,399	-	299,399
Contributions – employer	-	187,278	(187,278)
Contributions – employee	-	13,571	(13,571)
Net investment income	-	(108,893)	108,893
Differences between expected and actual experience	36,345	-	36,345
Change in assumptions	-	-	-
Benefit payments, including refunds	(298,323)	(298,323)	-
Administrative expenses	-	(5,458)	5,458
Net changes	61,543	(211,825)	273,368
Balance as of December 31, 2018	<u>\$ 3,941,135</u>	<u>\$ 2,613,926</u>	<u>\$ 1,327,209</u>

Village of Lake Orion
Notes to Financial Statements

June 30, 2019

6. Employees' Retirement System (continued)

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

For the year ending June 30, 2019, the Village recognized a pension expense of \$208,889. At June 30, 2019, the Village reported deferred inflows and outflows of resources related to pensions from the following sources:

<u>Source</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments*	\$ 207,587	\$ -
Employer contributions to plan subsequent to the measurement date**	63,036	-
Total	<u>\$ 270,623</u>	<u>\$ -</u>

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

<u>Years Ending June 30</u>	<u>Amount</u>
2020	\$ 79,079
2021	22,830
2022	39,511
2023	66,167

** The amount reported as deferred outflow of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the fiscal year ending June 30, 2020.

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%

Village of Lake Orion
Notes to Financial Statements

June 30, 2019

6. Employees' Retirement System (continued)

Actuarial Assumptions (continued)

Mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table of a 50% male and 50% female blend with rates multiplied by 105%. For disabled retirees, the 50% male and 50% female blend of the RP-2014 Disabled Retiree Mortality Tables were used.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of the most recent actuarial experience study in 2013.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2018, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	55.5%	3.4%
Global fixed income	18.5%	0.2%
Real assets	13.5%	1.0%
Diversifying strategies	12.5%	0.6%

Discount Rate

The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Village of Lake Orion
Notes to Financial Statements

June 30, 2019

6. Employees' Retirement System (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Village, calculated using the discount rate of 8.00%, as well as what the Village's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability	\$ 1,665,212	\$ 1,327,209	\$ 1,031,853

7. Post-Employment Healthcare Benefits

Plan Administration

The Village administers a single-employer, defined benefit post-employment health insurance plan (OPEB plan). The OPEB plan does not include pension benefits described in Note 6. Management of the plan is vested with the elected Village Council. The OPEB plan is reported as a Trust Fund in the Village's financial statements. The OPEB plan does not issue a publicly available financial report.

OPEB Plan Membership

As of June 30, 2019, the OPEB plan membership data is as follows:

Inactive plan members receiving benefits	10
Covered spouses of retirees	4
Active plan members	5
Total participants	19

Village of Lake Orion
Notes to Financial Statements

June 30, 2019

7. Post-Employment Healthcare Benefits (continued)

Benefits Provided

The OPEB plan provides medical insurance for eligible retirees and their dependents through the Village's group health insurance plan, which covers both active and retired members. Benefit provisions are established and amended by the union contracts throughout negotiations between the Village and the respective unions or as established by the Village for non-union employees. The OPEB plan provides the following benefits based on employee group upon retirement.

AFSCME Union – The Village pays 75% of premium for the retiree and spouse for their lifetimes provided the participant was hired prior to July 1, 2007 and obtained 30 years of service.

POAM Union – The Village pays 75% of premium for the retiree and spouse for their lifetimes provided the participant was hired prior to July 1, 2007 and obtained 25 years of service.

Non-Union – The Village pays 100% of premium for the retiree and spouse for their lifetimes provided the participant was hired prior to July 1, 2007 and obtained 25 years of service.

Contributions

The OPEB plan was established and is being funded under the authority of the Village. The OPEB plan's funding policy is that the Village will contribute up to \$10,000 to the OPEB trust fund in 2019 and discretionary amounts if able in subsequent years. The Village has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, the plan may be financed on a "pay-as-you-go" basis). There are no long-term contracts for contributions to the plan. The OPEB plan has no legally required reserves. For the year-ended June 30, 2019 the Village contributed \$87,636 for insurance premiums and \$10,000 to the Retiree Healthcare Trust Fund, while OPEB plan participants contributed \$18,580 for insurance premiums during the year ended June 30, 2019.

Summary of Significant Accounting Policies

Basis of Accounting – The Retiree Healthcare Trust Fund's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments – Investments are reported at fair value. Securities traded on national exchanges are valued at the last reported sales price.

Village of Lake Orion
Notes to Financial Statements

June 30, 2019

7. Post-Employment Healthcare Benefits (continued)

OPEB Plan Investments

Investment Policy – The Village Treasurer may invest funds held in the Retiree Healthcare Trust Fund at his/her discretion including common or preferred stocks, bonds, certificates of deposit, interest or participation, mutual funds, and other forms of security investments.

Net OPEB Liability

The components of the net OPEB liability of the Village as of June 30, 2019, were as follows:

Total OPEB Liability	\$ 1,945,900
OPEB Plan Fiduciary Net Position	<u>(136,880)</u>
Net OPEB Liability	<u>\$ 1,809,020</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	6.5%

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2019. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal (level percentage of compensation)
Salary Increases	3.00%
Inflation	3.00%
Discount Rate	7.09% for June 30, 2019 liability and 2020 contribution
Investment Rate of Return	7.09%
Healthcare Cost Trend Rates – pre-65	8.50% per year graded down to an ultimate rate of 4.50% over 6 years
Healthcare Cost Trend Rates – post-65	7.00% graded down to an ultimate rate of 4.50% over 6 years
Mortality	2010 Public General and Public Safety Employees, and Healthy Retirees, Headcount weighted, with MP-2018 Improvement Scale

Village of Lake Orion

Notes to Financial Statements

June 30, 2019

7. Post-Employment Healthcare Benefits (continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic rates of return for each major asset class included in the retirement plan's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	65.40%	8.00%
Global fixed income	29.10%	5.50%
Real assets	3.10%	6.20%
Diversifying strategies	2.40%	2.75%
	<hr/> 100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability was 7.09%. Because the covered group is closed to new entrants and the Village continues to make benefit payments on a pay-as-you-go basis, assets will theoretically not be depleted and no cross-over point will occur so the average rate above is used for the discount rate. As long as benefits are paid from general operating funds, those benefits ought to be discounted at the municipal bond rate and a lower discount rate would result in a higher liability.

The discount rate as of June 30, 2018 was 5.63%.

Village of Lake Orion

Notes to Financial Statements

June 30, 2019

7. Post-Employment Healthcare Benefits (continued)

	Changes in the Net OPEB Liability		
		<u>Increase (Decrease)</u>	
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances as of July 1, 2018	\$ 2,192,538	\$ 121,760	\$ 2,070,778
Changes for the Year:			
Service cost	27,523	-	27,523
Interest on the total OPEB liability	120,056	-	120,056
Changes in benefits	-	-	-
Difference between expected and actual experience	833	-	833
Changes in assumptions	(307,414)	-	(307,414)
Employer contributions to OPEB Trust	-	10,000	(10,000)
Contributions paid from general operating funds	-	87,636	(87,636)
Net investment income	-	5,726	(5,726)
Benefit payments, including employee refunds	(87,636)	(87,636)	-
Administrative expense	-	(606)	606
Other changes	-	-	-
Net changes	(246,638)	15,120	(261,758)
Balances as of June 30, 2019	\$ 1,945,900	\$ 136,880	\$ 1,809,020

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the Village, as well as what the Village’s net OPEB liability would be if it were calculated using a discount rate 1-percentage-point lower and 1-percentage-point higher than the current discount rate:

	1% Decrease (6.09%)	Current Discount Rate (7.09%)	1% Increase (8.09%)
Net OPEB Liability	\$ 2,047,016	\$ 1,819,020	\$ 1,627,555

Village of Lake Orion
Notes to Financial Statements

June 30, 2019

7. Post-Employment Healthcare Benefits (continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates –
The following presents the net OPEB liability of the Village, as well as what the Village’s net OPEB liability would be if it were calculated using a healthcare cost trend rates 1-percentage-point lower and 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (3.50%)	Current Healthcare Cost Trend Rates (4.50%)	1% Increase (5.50%)
Net OPEB Liability	\$ 1,595,766	\$ 1,819,020	\$ 2,087,287

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Village recognized OPEB expense as follows:

	OPEB Expense
Service cost	\$ 27,523
Interest on the total OPEB liability	120,056
Experience (gains) / losses	374
Changes in assumptions	(137,854)
Employee contributions	-
Projected earnings on OPEB investments	(6,838)
Investment earnings (gains)/losses	(314)
Administrative expense	606
Other changes	-
Total OPEB expense	\$ 3,553

Village of Lake Orion
Notes to Financial Statements

June 30, 2019

7. Post-Employment Healthcare Benefits (continued)

At June 30, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 459	\$ -
Changes in assumptions	-	169,560
Net difference between projected and actual earnings on OPEB plan investments	-	719
Total	\$ 459	\$ 170,279

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

Year ended June 30	
2020	\$ (137,794)
2021	(31,935)
2022	(315)
2023	224

8. Property Taxes

Property tax assessments are determined as of each December 31. Taxes are levied on July 1 of the following year. These taxes are due on August 31 with the final collection date of February 28 before they are added to the county delinquent tax roll. The Village's property taxes are accounted for in the general fund and the downtown development authority. Village property tax revenues are recognized in the current year as revenue in accordance with guidelines of the State of Michigan.

Village of Lake Orion

Notes to Financial Statements

June 30, 2019

8. Property Taxes (continued)

The Village is permitted by State law to levy taxes up to \$20 per \$1,000 of equalized valuation for general governmental services. The 2018 taxable valuation of the Village totaled \$97.6 million. The following is a summary of the tax rates levied on the 2018 tax roll:

<u>Purpose</u>	<u>Millage Rate</u>	<u>Revenue</u>
General operating	10.1136	\$ 987,090
Police millage – operations	2.9885	285,403

Under terms of an agreement with the Charter Township of Orion, the Township remits to the Village the equivalent of two mills (as rolled back by State law) of property taxes, which represents a special-voted tax levied on all Township residents (including Village residents) for police services. In accordance with the agreement, the Village will decrease its tax levy by an equal amount. The December 31, 2018 Township tax levy is paid by residents through February 2019. The Township remits its payment to the Village through June 2019, which will be used to replace the July 1, 2019 tax levy.

9. Risk Management

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

The Village is a member of the Michigan Municipal Liability and Property Pool for its general liability insurance coverage and a member of the Michigan Municipal Workers Compensation Fund for its workers’ compensation coverage. The Village pays annual premiums to the pools. The pools are self-sustaining through member premiums, and each carries reinsurance through commercial companies for claims in excess of the pool loss reserve fund.

In the event that a single loss should exceed the amount of protection afforded by the pool loss reserve fund, reinsurance, or other insurance carried by the pools, in the event that a series of losses should deplete or exhaust the loss reserve fund and reinsurance, the payment of valid losses shall be the obligation of the individual member or members of the respective pool against whom the claim was made. No such event has occurred with the Village and the pools to which it belongs in any of the past three fiscal years.

Village of Lake Orion
Notes to Financial Statements

June 30, 2019

10. Stewardship, Compliance, and Accountability

Budgetary Information

Budgets are adopted by the Village Council for the General Fund and Special Revenue Funds after a public hearing is held. The budget basis of accounting does not differ significantly for the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget is adopted at the activity level and control is exercised at the activity level. The Village Council monitors and amends the budgets as necessary. Unexpended appropriations lapse at year end. The Village does not maintain a formalized encumbrance accounting system. Budget appropriations are considered to be spent once goods are delivered or services are rendered.

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

1. The Village charter requires two regular council meetings per month. By the first meeting in April, a proposed operating budget must be submitted to the Village Council for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and means of financing them for the upcoming year.
2. A public hearing and adoption of the budget is required by the first meeting in May.
3. On or before June 15, the tax rate must be set and the budget is legally enacted through the passage of a budget resolution (general appropriation act).
4. Formal budgetary integration is employed as a management control device for the general and special revenue funds. Budgets for these funds are prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP). The general fund and special revenue fund budgets are adopted at the activity level.
5. Budgetary appropriations lapse at year-end.
6. The Village Council may authorize supplemental appropriations (budget amendments) during the year. In fiscal year 2019, several budget amendments were made.

Village of Lake Orion

Notes to Financial Statements

June 30, 2019

10. Stewardship, Compliance, and Accountability (continued)

Excess Expenditures over Appropriations in Budgeted Funds

P.A. 621 of 1978, Section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2019, the Village did not incur expenditures in excess of the amounts appropriated for the general and special revenue funds.

11. Joint Venture

North Oakland Transportation Authority

The Authority provides transportation services for the following six entities: the Charter Township of Oxford, the Charter Township of Orion, the Township of Addison, the Village of Lake Orion, the Village of Leonard, and the Village of Oxford. The Authority's board consists of nine members of which the Village of Lake Orion appoints one. The North Oakland Transportation Authority is not considered a part of the reporting entity of the Village of Lake Orion. Separate financial statements of the joint venture may be obtained at North Oakland Transportation Authority, 467 East Jackson St., Lake Orion, Michigan 48362.

12. Tax Abatements

The Village granted reduced property tax revenue to qualified low income housing programs (PA 346 of 1966). Qualified low-income housing is exempt from property taxes, but pay a fee in lieu of taxes based on a percentage of their rents. The amount of tax forgone was determined by subtracting the fee in lieu of taxes paid from the amount of tax that would have been calculated had PA 345 of 1966 not covered these properties. The Village received approximately \$12,800 in lieu of taxes.

The Village granted reduced property tax revenue as a result of issuing a Commercial Facilities Tax exemption (PA 255 of 1978). Commercial Facilities Exemptions are intended to promote commercial redevelopment and restoration of commercial facilities. Under the Commercial Facilities Exemption Certificate, the restored commercial facility is exempt from ad valorem taxation on the facility and personal property within the facility. The taxable value of the facility is also frozen. The Village's property tax revenue was reduced by approximately \$1,300 under this program.

13. Subsequent Events

Subsequent to June 30, 2019 the Oakland-Macomb Interceptor Drainage District issued Series 2019 bonds. The Village's portion is \$41,000 and is due in annual installments through 2025.

Required Supplementary Information

Village of Lake Orion

Schedule of Changes in Net Pension Liability and Related Ratios Last Ten Fiscal Years (schedule is built prospectively upon implementation of GASB 68)

Year Ended June 30, 2019

	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 24,122	\$ 28,897	\$ 28,587	\$ 27,164	\$ 33,257
Interest	299,399	300,398	326,778	329,227	308,260
Difference between expected and actual experience	36,345	(45,443)	(393,125)	(5,100)	-
Changes in assumptions	-	-	-	184,225	-
Benefit payments including refunds	(298,323)	(289,575)	(294,716)	(336,654)	(318,528)
Other changes	-	-	-	-	-
Net change in total pension liability	61,543	(5,723)	(332,476)	198,862	22,989
Total pension liability at beginning of year	3,879,592	3,885,315	4,217,791	4,018,929	3,995,940
Total pension liability at end of year	<u>\$ 3,941,135</u>	<u>\$ 3,879,592</u>	<u>\$ 3,885,315</u>	<u>\$ 4,217,791</u>	<u>\$ 4,018,929</u>
Plan fiduciary net position					
Contributions – employer	\$ 187,278	\$ 181,860	\$ 114,072	\$ 107,640	\$ 107,334
Contributions – employee	13,571	14,011	13,867	14,348	16,627
Net investment income	(108,893)	336,390	275,341	(38,613)	171,339
Benefit payments including refunds	(298,323)	(289,575)	(294,716)	(336,654)	(318,528)
Administrative expense	(5,458)	(5,331)	(5,442)	(5,808)	(6,252)
Net change in plan fiduciary net position	(211,825)	237,355	103,122	(259,087)	(29,480)
Plan fiduciary net position at beginning of year	2,825,751	2,588,396	2,485,274	2,744,361	2,773,841
Plan fiduciary net position at end of year	<u>\$ 2,613,926</u>	<u>\$ 2,825,751</u>	<u>\$ 2,588,396</u>	<u>\$ 2,485,274</u>	<u>\$ 2,744,361</u>
Villages net pension liability at end of year	<u>\$ 1,327,209</u>	<u>\$ 1,053,841</u>	<u>\$ 1,296,919</u>	<u>\$ 1,732,517</u>	<u>\$ 1,274,568</u>
Plan fiduciary net position as a percentage of the total pension liability	66.3%	72.8%	66.6%	58.9%	68.3%
Covered employee payroll	\$ 244,394	\$ 280,322	\$ 277,342	\$ 268,611	\$ 324,635
Employer's net pension liability as a percentage of covered employee payroll	543.1%	375.9%	467.6%	645.0%	392.6%

Notes to schedule:

Above dates are based on measurement date, which may not necessarily agree to the fiscal year.

Village of Lake Orion

Schedule of Pension Contributions Last Ten Fiscal Years

Year Ended June 30, 2019

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarial determined contributions	\$ 175,560	\$ 175,164	\$ 115,236	\$ 112,908	\$ 102,012	\$ 113,016	\$ 102,960	\$ 89,448	\$ 67,977	\$ 69,506
Contributions in relation to the actuarially determined contribution	187,278	181,860	115,236	112,908	102,012	113,016	102,960	89,448	67,977	69,506
Contribution deficiency (excess)	\$ (11,718)	\$ (6,696)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
 Covered employee payroll	 \$ 244,394	 \$ 280,322	 \$ 277,342	 \$ 268,611	 \$ 324,635	 \$ 378,751	 \$ 489,211	 \$ 666,239	 \$ 667,434	 \$ 659,155
Contributions as a percentage of covered employee payroll	71.8%	62.5%	41.6%	42.0%	31.4%	29.8%	21.0%	13.4%	10.2%	10.5%

Notes to schedule

Actuarial valuation information relative to the determination of contributions:

Valuation date

Actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required

Methods and assumptions used to determine contribution rates:

Actuarial cost method
 Amortization method
 Remaining amortization period
 Asset valuation method
 Inflation
 Salary increases
 Investment rate of return
 Retirement age
 Mortality

Entry age normal
 Level percentage of payroll, closed
 10 years
 5 year smoothed market
 2.50%
 3.75% including inflation
 7.75%
 Experience-based tables of rates that are specific to the type of eligibility condition
 50% male / 50% female blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables.

Village of Lake Orion

Schedule of Changes in Net OPEB Liability and Related Ratios Last Ten Fiscal Years (schedule is built prospectively upon implementation of GASB 75)

Year Ended June 30, 2019

	2019	2018
Total OPEB liability		
Service cost	\$ 27,523	\$ 26,056
Interest	120,056	119,190
Changes in benefits	-	-
Difference between expected and actual experience	833	-
Changes in assumptions	(307,414)	-
Benefit payments including refunds	(87,636)	(87,425)
Net change in total pension liability	(246,638)	57,821
Total OPEB liability at beginning of year	2,192,538	2,134,717
Total OPEB liability at end of year	\$ 1,945,900	\$2,192,538
 Plan fiduciary net position		
Contributions to OPEB trust	10,000	10,000
Contributions/benefit payments made from general operating funds	87,636	87,425
Net investment income	5,726	8,775
Benefit payments including refunds	(87,636)	(87,425)
Administrative expense	(606)	(554)
Net change in plan fiduciary net position	15,120	18,221
Plan fiduciary net position at beginning of year	121,760	103,539
Plan fiduciary net position at end of year	\$ 136,880	\$ 121,760
 Village's net pension liability at end of year	\$ 1,809,020	\$2,070,778
 Plan fiduciary net position as a percentage of the total pension liability	7.0%	5.6%
 Covered employee payroll	Not Avail.	Not Avail.
 Employer's net pension liability as a percentage of covered employee payroll	Not Avail.	Not Avail.

Village of Lake Orion

Schedule of OPEB Contributions

Last Ten Fiscal Years (schedule is built prospectively upon implementation of GASB 75)

Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>
Service cost	\$ 27,523	\$ 27,523
Interest cost	16,284	-
Amortization of unfunded liability	261,707	226,285
Actuarially determined employer contribution	305,514	253,808
Contributions in relation to the actuarially determined contribution	97,636	97,425
Contribution deficiency (excess)	<u>\$ 207,878</u>	<u>\$ 156,383</u>
Covered employee payroll	Not Avail.	Not Avail.
Contributions as a percentage of covered employee payroll	Not Avail.	Not Avail.

Notes to schedule

Actuarial valuation information relative to the determination of contributions:

Valuation date	6/30/2019	6/30/2018
----------------	-----------	-----------

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of compensation
Remaining amortization period	10 years
Asset valuation method	Equal to market value of assets
Inflation	3.00%
Salary increases	3.00% including inflation
Investment rate of return	7.09%
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	2010 Public General and Public Safety Employees, and Healthy Retirees, Headcount weighted, with MP-2018

Village of Lake Orion

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual

Year Ended June 30, 2019

	<u>Budgeted Amounts</u>			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Property taxes	\$1,065,000	\$ 1,065,000	\$ 1,032,306	\$ (32,694)
Penalties and interest	2,000	2,000	3,879	1,879
In lieu of taxes	37,000	37,000	29,087	(7,913)
Other taxes	681	681	-	(681)
Intergovernmental – Federal/CDBG	23,177	23,177	-	(23,177)
Intergovernmental – State	276,493	276,493	283,898	7,405
Charges for services	191,088	191,088	197,978	6,890
Interest earnings	2,000	2,000	8,532	6,532
Other revenues	25,795	35,266	19,681	(15,585)
Total revenues	1,623,234	1,632,705	1,575,361	(57,344)
Expenditures				
General government:				
Village council	3,021	3,021	2,409	612
Village manager	104,275	104,275	101,648	2,627
Clerk	87,369	88,869	85,338	3,531
Treasurer	150,522	114,925	55,753	59,172
Municipal building	211,290	251,169	210,115	41,054
Data processing and information technology	25,022	25,022	20,833	4,189
Professional services	37,550	39,850	33,427	6,423
	<u>619,049</u>	<u>627,131</u>	<u>509,523</u>	<u>117,608</u>
Public works:				
Sanitation	177,000	177,000	175,295	1,705
Street lighting	80,000	71,918	33,816	38,102
	<u>257,000</u>	<u>248,918</u>	<u>209,111</u>	<u>39,807</u>
Community and economic development:				
Community development and block grant	23,177	23,177	-	23,177
Planning and zoning	42,979	42,979	41,678	1,301
	<u>66,156</u>	<u>66,156</u>	<u>41,678</u>	<u>24,478</u>
Recreation and cultural:				
Parks and Recreation	32,729	71,200	49,471	21,729
Other functions:				
Insurance	68,000	68,000	67,247	753
Total expenditures	1,042,934	1,081,405	877,030	204,375
Excess of revenues over expenditures	580,300	551,300	698,331	147,031
Other financing sources (uses):				
Transfers in	174,700	203,700	199,863	3,837
Transfers out	(755,000)	(755,000)	(755,000)	-
Total other financing sources (uses)	(580,300)	(551,300)	(555,137)	3,837
Net change in fund balance	-	-	143,194	143,194
Fund balance at beginning of period	479,777	479,777	479,777	-
Fund balance at end of period	\$ 479,777	\$ 479,777	\$ 622,971	\$ 143,194

Village of Lake Orion

Public Works Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual

Year Ended June 30, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Charges for services	\$ 31,200	\$ 31,200	\$ 31,200	\$ -
Equipment rental	83,000	83,000	79,275	(3,725)
Cemetery	26,000	26,000	28,744	2,744
Interest income	200	200	611	411
Other	856	856	3,787	2,931
Total revenues	141,256	141,256	143,617	2,361
Expenditures				
Public works:				
Wages and benefits	282,089	302,089	293,069	9,020
Repairs and maintenance	55,000	49,000	35,958	13,042
Capital outlay	23,111	6,111	6,000	111
Other	39,200	42,200	41,975	225
Cemetery	87,067	87,067	67,190	19,877
Phase II Stormwater	31,789	31,789	18,265	13,524
Total expenditures	518,256	518,256	462,457	55,799
Excess (deficiency) of revenues over expenditures	(377,000)	(377,000)	(318,840)	58,160
Other financing sources (uses):				
Transfers in	377,000	377,000	377,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	377,000	377,000	377,000	-
Net change in fund balance	-	-	58,160	58,160
Fund balance at beginning of year	48,026	48,026	48,026	-
Fund balance at end of year	\$ 48,026	\$ 48,026	\$ 106,186	\$ 58,160

Village of Lake Orion

Police Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual

Year Ended June 30, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property taxes	\$ 301,930	\$ 301,930	\$ 314,454	\$ 12,524
Intergovernmental – State	2,000	2,000	940	(1,060)
Intergovernmental – Local	10,051	10,051	17,982	7,931
Charges for services	102,711	112,161	90,690	(21,471)
Fines and forfeitures	56,000	56,000	96,767	40,767
Interest	100	100	3,046	2,946
Other	6,000	33,489	11,478	(22,011)
Total revenues	<u>478,792</u>	<u>515,731</u>	<u>535,357</u>	<u>19,626</u>
Expenditures				
Wages and benefits	652,547	652,647	633,629	19,018
Other	160,603	182,163	165,791	16,372
Debt service	19,000	20,000	8,906	11,094
Capital outlay	31,642	68,353	65,216	3,137
Total expenditures	<u>863,792</u>	<u>923,163</u>	<u>873,542</u>	<u>49,621</u>
Excess of revenues over (under) expenditures	<u>(385,000)</u>	<u>(407,432)</u>	<u>(338,185)</u>	<u>69,247</u>
Other financing sources (uses):				
Transfers in	385,000	385,000	385,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>385,000</u>	<u>385,000</u>	<u>385,000</u>	<u>-</u>
Net change in fund balance	-	(22,432)	46,815	69,247
Fund balance at beginning of year	80,789	80,789	80,789	-
Fund balance at end of year	<u>\$ 80,789</u>	<u>\$ 58,357</u>	<u>\$ 127,604</u>	<u>\$ 69,247</u>

Other Supplementary Information

Village of Lake Orion

Nonmajor Governmental Funds
Combining Balance Sheet

June 30, 2019

	Special Revenue			Capital Project	Permanent Fund	Total
	Major Street	Local Street	Parking	Capital Improvement	Cemetery Perpetual Care	
Assets						
Cash	\$ 332,407	\$ 64,039	\$ 162	\$ 7,908	\$ 286,406	\$ 690,922
Current investments	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Due from State	32,896	14,229	-	-	-	47,125
Prepaid expenses	691	873	-	-	-	1,564
Total assets	\$ 365,994	\$ 79,141	\$ 162	\$ 7,908	\$ 286,406	\$ 739,611
Liabilities and fund balance						
Liabilities:						
Accounts payable	\$ 3,743	\$ 2,324	\$ 162	\$ -	\$ -	\$ 6,229
Fund balance:						
Nonspendable – prepaid	691	873	-	-	-	1,564
Restricted for streets	361,560	75,944	-	-	-	437,504
Restricted for capital projects	-	-	-	7,908	-	7,908
Restricted for perpetual care	-	-	-	-	286,406	286,406
Total fund balance	362,251	76,817	-	7,908	286,406	733,382
Total liabilities and fund balance	\$ 365,994	\$ 79,141	\$ 162	\$ 7,908	\$ 286,406	\$ 739,611

Village of Lake Orion

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2019

	Special Revenue			Capital Project	Permanent Fund	Total
	Major Street	Local Street	Parking	Capital Improvement	Cemetery Perpetual Care	
Revenues						
State-shared revenue	\$ 204,930	\$ 97,682	\$ -	\$ -	\$ -	\$ 302,612
Charges for services	-	-	-	-	20,400	20,400
Fines and forfeitures	-	-	4,336	-	-	4,336
Interest earned	3,775	1,224	7	6	3,761	8,773
Other revenues	-	-	-	-	-	-
Total revenues	208,705	98,906	4,343	6	24,161	336,121
Expenditures						
Highways, streets, sidewalks and other maintenance	157,818	166,561	-	-	-	324,379
Parking	-	-	4,343	-	-	4,343
Debt service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Total expenditures	157,818	166,561	4,343	-	-	328,722
Excess (deficiency) of revenues over expenditures	50,887	(67,655)	-	6	24,161	7,399
Other financing sources (uses):						
Operating transfers in	-	40,000	-	-	-	40,000
Operating transfers out	(40,000)	-	-	-	(7,000)	(47,000)
Total other financing sources (uses):	(40,000)	40,000	-	-	(7,000)	(7,000)
Change in fund balance	10,887	(27,655)	-	6	17,161	399
Fund balance at beginning of year	351,364	104,472	-	7,902	269,245	732,983
Fund balance at end of year	\$ 362,251	\$ 76,817	\$ -	\$ 7,908	\$ 286,406	\$ 733,382

Village of Lake Orion

Combining Balance Sheet
Component Unit – DDA

June 30, 2019

	Downtown Development Authority	DDA Property Acquisition Fund	Total
Assets			
Cash	\$ 409,463	\$ 165,286	\$ 574,749
Prepaid expenditures	5,713	-	5,713
Total assets	<u>\$ 415,176</u>	<u>\$ 165,286</u>	<u>\$ 580,462</u>
Liabilities and fund balance			
Accounts payable and accrued liabilities	\$ 60,930	\$ -	\$ 60,930
Fund balance	354,246	165,286	519,532
Total liabilities and fund balance	<u>\$ 415,176</u>	<u>\$ 165,286</u>	<u>\$ 580,462</u>

Reconciliation to statement of net position:

Fund balance as of June 30, 2019	\$ 519,532
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,906,699
Long-term liabilities, including long term advance, are not due and payable in the current period and, therefore, are not reported in the funds.	(240,000)
Net position of governmental activities – component unit	<u>\$ 3,186,231</u>

Village of Lake Orion

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Component Unit – DDA

Year Ended June 30, 2019

	Downtown Development Authority	DDA Property Acquisition Fund	Total
Revenues			
Property taxes	\$ 641,195	\$ -	\$ 641,195
Other taxes	8,109	-	8,109
Operating grants and contributions	81,338	-	81,338
State grants	268	-	268
Interest	7,276	90	7,366
Other revenues	31,466	-	31,466
Total revenues	<u>769,652</u>	<u>90</u>	<u>769,742</u>
Expenditures			
Community development	341,651	-	341,651
Debt service:			
Principal	120,000	-	120,000
Interest and other charges	7,200	-	7,200
Capital outlay	326,427	69,249	395,676
Total expenditures	<u>795,278</u>	<u>69,249</u>	<u>864,527</u>
Excess (deficiency) of revenues over expenditures	(25,626)	(69,159)	(94,785)
Other financing sources (uses)			
Transfers out	(93,863)	-	(93,863)
Total other financing sources (uses)	<u>(93,863)</u>	<u>-</u>	<u>(93,863)</u>
Net change in fund balance	(119,489)	(69,159)	(188,648)
Fund balance at beginning of year	473,735	234,445	708,180
Fund balance at end of year	<u>\$ 354,246</u>	<u>\$ 165,286</u>	<u>\$ 519,532</u>

Reconciliation to statement of activities:

Net change in fund balance as of June 30, 2019 \$ (188,648)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents capital outlay in excess of depreciation in the current period.

Capital outlay	207,771
Depreciation expense	(127,279)
Disposal	-

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt.

Principal repayments	120,000
Change in net position-component unit	<u>\$ 11,844</u>

Village of Lake Orion

Schedule of Indebtedness
Proprietary Funds

June 30, 2019

2010A Oakland-Macomb Interceptor Drain Bond

Date of Issue: January 22, 2010

Village of Lake Orion Portion \$172,415 (.6612%)

Interest Due April 1 and October 1

Bonds Due As Follows:

Interest Rate	Date of Maturity	Principal Amount	Annual Interest Payable	Total Obligation
2.50%	4/1/2020	8,232	2,840	11,072
2.50%	4/1/2021	8,430	2,634	11,064
2.50%	4/1/2022	8,629	2,424	11,053
2.50%	4/1/2023	8,860	2,208	11,068
2.50%	4/1/2024	9,092	1,986	11,078
2.50%	4/1/2025	9,323	1,759	11,082
2.50%	4/1/2026	9,554	1,526	11,080
2.50%	4/1/2027	9,786	1,286	11,072
2.50%	4/1/2028	10,050	1,042	11,092
2.50%	4/1/2029	10,282	790	11,072
2.50%	4/1/2030	10,545	534	11,079
2.50%	4/1/2031	10,811	270	11,081
		<u>\$ 113,594</u>	<u>\$ 19,299</u>	<u>\$ 132,893</u>

2010B Oakland-Macomb Interceptor Drain Bond

Date of Issue: January 22, 2010

Village of Lake Orion Portion \$44,300 (.6612%)

Interest Due April 1 and October 1

Bonds Due as Follows:

Interest Rate	Date of Maturity	Principal Amount	Annual Interest Payable	Total Obligation
4.90%	4/1/2020	2,050	1,654	3,704
5.10%	4/1/2021	2,149	1,554	3,703
5.25%	4/1/2022	2,248	1,444	3,692
5.45%	4/1/2023	2,380	1,326	3,706
5.45%	4/1/2024	2,512	1,196	3,708
5.70%	4/1/2025	2,645	1,060	3,705
5.70%	4/1/2026	2,777	910	3,687
5.90%	4/1/2027	2,942	750	3,692
5.90%	4/1/2028	3,075	577	3,652
5.90%	4/1/2029	3,273	396	3,669
5.90%	4/1/2030	3,438	202	3,640
		<u>\$ 29,489</u>	<u>\$ 11,069</u>	<u>\$ 40,558</u>

Village of Lake Orion

Schedule of Indebtedness
Proprietary Funds

June 30, 2019

2011 Oakland-Macomb Interceptor Drain Bond
Date of Issue: November 2011
Village of Lake Orion Portion \$207,251 (.6612%)
Interest Due April 1 and October 1
Bonds Due As Follows:

Interest Rate	Date of Maturity	Principal Amount	Annual Interest Payable	Total Obligation
2.50%	10/1/2019	9,173	4,000	13,173
2.50%	10/1/2020	9,417	3,768	13,185
2.50%	10/1/2021	9,660	3,529	13,189
2.50%	10/1/2022	9,863	3,285	13,148
2.50%	10/1/2023	10,148	3,035	13,183
2.50%	10/1/2024	10,391	2,778	13,169
2.50%	10/1/2025	10,635	2,515	13,150
2.50%	10/1/2026	10,919	2,246	13,165
2.50%	10/1/2027	11,203	1,970	13,173
2.50%	10/1/2028	11,446	1,687	13,133
2.50%	10/1/2029	11,730	1,397	13,127
2.50%	10/1/2030	12,055	1,099	13,154
2.50%	10/1/2031	12,339	794	13,133
2.50%	10/1/2032	12,664	482	13,146
2.50%	10/1/2033	12,948	162	13,110
		<u>\$ 164,591</u>	<u>\$ 32,747</u>	<u>\$ 197,338</u>

2013A Oakland-Macomb Interceptor Drain Bond
Date of Issue: June 2013
Village of Lake Orion Portion \$452,251 (.6612%)
Interest Due April 1 and October 1
Bonds Due as Follows:

Interest Rate	Date of Maturity	Principal Amount	Annual Interest Payable	Total Obligation
2.00%	10/1/2019	20,134	7,309	27,443
2.00%	10/1/2020	20,551	6,902	27,453
2.00%	10/1/2021	20,967	6,487	27,454
2.00%	10/1/2022	21,384	6,064	27,448
2.00%	10/1/2023	21,800	5,632	27,432
2.00%	10/1/2024	22,252	5,191	27,443
2.00%	10/1/2025	22,668	4,742	27,410
2.00%	10/1/2026	23,154	4,284	27,438
2.00%	10/1/2027	23,605	3,816	27,421
2.00%	10/1/2028	24,091	3,339	27,430
2.00%	10/1/2029	24,543	2,853	27,396
2.00%	10/1/2030	25,063	2,357	27,420
2.00%	10/1/2031	25,549	1,851	27,400
2.00%	10/1/2032	26,070	1,335	27,405
2.00%	10/1/2033	26,591	808	27,399
2.00%	10/1/2034	27,228	271	27,499
		<u>\$ 375,650</u>	<u>\$ 63,241</u>	<u>\$ 438,891</u>

Village of Lake Orion

Schedule of Indebtedness
Proprietary Funds

June 30, 2019

2014A Oakland-Macomb Interceptor Drain Bond
Date of Issue: September 2014
Village of Lake Orion Portion \$66,124 (.6612%)
Interest Due April 1 and October 1
Bonds Due As Follows:

Interest Rate	Date of Maturity	Principal Amount	Annual Interest Payable	Total Obligation
2.00%	10/1/2019	2,788	1,466	4,254
2.00%	10/1/2020	2,879	1,409	4,288
2.00%	10/1/2021	2,925	1,351	4,276
2.00%	10/1/2022	3,016	1,292	4,308
2.00%	10/1/2023	3,107	1,231	4,338
2.00%	10/1/2024	3,153	1,168	4,321
3.00%	10/1/2025	3,245	1,087	4,332
3.00%	10/1/2026	3,382	988	4,370
3.00%	10/1/2027	3,473	886	4,359
3.00%	10/1/2028	3,564	780	4,344
3.00%	10/1/2029	3,701	671	4,372
3.00%	10/1/2030	3,793	559	4,352
3.00%	10/1/2031	3,930	443	4,373
3.00%	10/1/2032	4,067	323	4,390
2.50%	10/1/2033	4,204	199	4,403
3.125%	10/1/2034	4,341	68	4,409
		<u>\$ 55,568</u>	<u>\$ 13,921</u>	<u>\$ 69,489</u>

2015 Oakland-Macomb Interceptor Drain Bond
Date of Issue: April 2015
Village of Lake Orion Portion \$66,120 (.6612%)
Interest Due April 1 and October 1
Bonds Due as Follows:

Interest Rate	Date of Maturity	Principal Amount	Annual Interest Payable	Total Obligation
2.50%	4/1/2020	2,777	1,718	4,495
2.50%	4/1/2021	2,843	1,650	4,493
2.50%	4/1/2022	2,909	1,578	4,487
2.75%	4/1/2023	3,008	1,506	4,514
2.75%	4/1/2024	3,108	1,422	4,530
3.00%	4/1/2025	3,174	1,338	4,512
3.00%	4/1/2026	3,273	1,242	4,515
3.00%	4/1/2027	3,372	1,144	4,516
3.00%	4/1/2028	3,471	1,042	4,513
3.25%	4/1/2029	3,570	938	4,508
3.25%	4/1/2030	3,670	822	4,492
3.25%	4/1/2031	3,802	704	4,506
3.50%	4/1/2032	3,934	580	4,514
3.50%	4/1/2033	4,066	442	4,508
3.50%	4/1/2034	4,199	300	4,499
3.50%	4/1/2035	4,364	152	4,516
		<u>\$ 55,540</u>	<u>\$ 16,578</u>	<u>\$ 72,118</u>

Village of Lake Orion

Schedule of Indebtedness
Proprietary Funds

June 30, 2019

2015 Oakland-Macomb Interceptor Drain Bond – SAW Loan

Date of Issue: April 2015

Village of Lake Orion Portion \$66,120 (.6612%)

Interest Due April 1 and October 1

Bonds Due As Follows:

Interest Rate	Date of Maturity	Principal Amount	Annual Interest Payable	Total Obligation
2.50%	4/1/2020	2,876	1,386	4,262
2.50%	4/1/2021	2,942	1,314	4,256
2.50%	4/1/2022	3,008	1,240	4,248
2.50%	4/1/2023	3,075	1,164	4,239
2.50%	4/1/2024	3,141	1,088	4,229
2.50%	4/1/2025	3,240	1,009	4,249
2.50%	4/1/2026	3,306	928	4,234
2.50%	4/1/2027	3,405	846	4,251
2.50%	4/1/2028	3,471	760	4,231
2.50%	4/1/2029	3,570	674	4,244
2.50%	4/1/2030	3,670	584	4,254
2.50%	4/1/2031	3,769	492	4,261
2.50%	4/1/2032	3,835	398	4,233
2.50%	4/1/2033	3,934	302	4,236
2.50%	4/1/2034	4,034	204	4,238
2.50%	4/1/2035	4,259	104	4,363
		<u>\$ 55,535</u>	<u>\$ 12,493</u>	<u>\$ 68,028</u>

2017 Clinton River Water Resource Recover Facility Drainage District Drain Bond (SRF)

Date of Issue: July 2017

Village of Lake Orion Portion \$177,366 (.7698%)

Interest Due April 1 and October 1

Bonds Due As Follows:

Interest Rate	Date of Maturity	Principal Amount	Annual Interest Payable	Total Obligation
2.50%	10/1/2019	8,852	4,196	13,048
2.50%	10/1/2020	9,083	4,099	13,182
2.50%	10/1/2021	9,314	3,869	13,183
2.50%	10/1/2022	9,545	3,634	13,179
2.50%	10/1/2023	9,776	3,392	13,168
2.50%	10/1/2024	10,046	3,144	13,190
2.50%	10/1/2025	10,315	2,890	13,205
2.50%	10/1/2026	10,546	2,629	13,175
2.50%	10/1/2027	10,815	2,362	13,177
2.50%	10/1/2028	11,085	2,088	13,173
2.50%	10/1/2029	11,393	1,807	13,200
2.50%	10/1/2030	11,662	1,519	13,181
2.50%	10/1/2031	11,970	1,224	13,194
2.50%	10/1/2032	12,278	921	13,199
2.50%	10/1/2033	12,586	610	13,196
2.50%	10/1/2034	12,894	291	13,185
2.50%	10/1/2035	5,206	65	5,271
		<u>\$ 177,366</u>	<u>\$ 38,740</u>	<u>\$ 216,106</u>

Village of Lake Orion

Schedule of Indebtedness
Proprietary Funds

June 30, 2019

2017 State of Michigan Department of Environmental Quality, Drinking Water Revolving Fund Loan

Total Outstanding: \$2,224,249 (36.89% of \$6,030,000)

Interest Due April 1 and October 1

Loan Due As Follows:

Interest Rate	Date of Maturity	Principal Amount	Annual Interest Payable	Total Obligation
2.00%	4/1/2020	245,000	44,485	289,485
2.00%	4/1/2021	255,000	42,678	297,678
2.00%	4/1/2022	260,000	40,796	300,796
2.00%	4/1/2023	265,000	38,878	303,878
2.00%	4/1/2024	270,000	36,923	306,923
2.00%	4/1/2025	275,000	34,931	309,931
2.00%	4/1/2026	280,000	32,903	312,903
2.00%	4/1/2027	285,000	30,837	315,837
2.00%	4/1/2028	89,249	28,734	117,983
		<u>\$ 2,224,249</u>	<u>\$ 331,165</u>	<u>\$2,555,414</u>