

Audited Financial Statements  
and Other Supplementary Information

Village of Lake Orion

*Year Ended June 30, 2017*  
*with Report of Independent Auditors*

Village of Lake Orion  
 Audited Financial Statements  
 and Other Supplementary Information  
 Year Ended June 30, 2017

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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, 2017, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the 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, 2017, 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 Supplementary Information*

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

*Andrews Hooper Pavlik PLC*

Auburn Hills, Michigan  
December 7, 2017

# Village of Lake Orion

## Management's Discussion and Analysis

June 30, 2017

The following is a discussion and analysis of the Village of Lake Orion's (Village) financial activities for the year ended June 30, 2017. This analysis should be read in conjunction with the Report of Independent Auditors and with the Village's financial statements, which follow this section. 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 \$9,320,836 (net position). Of this amount, \$684,800 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

At the close of the most recent fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,256,493. Approximately 33% of this total amount, \$419,834 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 \$419,834, or 26% of total general fund expenditures including operating transfers.

The Village's total debt increased by \$33,994 (3%) during the current fiscal year, due to new debt 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, 2017

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, 2017

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 on 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 statement can be found on page 19 of this report.

## Village of Lake Orion

### Management's Discussion and Analysis

June 30, 2017

**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 \$9,320,836 at the close of the most recent fiscal year. Of the Village's net position 84% 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. Net position increased by \$135,685 during the current fiscal year.

#### Village of Lake Orion – Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	<b>\$ 1,438,851</b>	\$ 1,326,629	<b>\$ 2,597,602</b>	\$ 2,673,526	<b>\$ 4,036,453</b>	\$ 4,000,155
Capital assets	<b>3,463,895</b>	3,544,826	<b>5,390,142</b>	5,638,581	<b>8,854,037</b>	9,183,407
Total assets	<b>4,902,746</b>	4,871,455	<b>7,987,744</b>	8,312,107	<b>12,890,490</b>	13,183,562
Deferred outflows	<b>159,641</b>	124,721	-	-	<b>159,641</b>	124,721
Liabilities:						
Long-term liabilities						
outstanding	<b>2,318,319</b>	2,782,738	<b>899,939</b>	993,031	<b>3,218,258</b>	3,775,769
Other liabilities	<b>186,102</b>	80,838	<b>218,652</b>	162,111	<b>404,754</b>	242,949
Total liabilities	<b>2,504,421</b>	2,863,576	<b>1,118,591</b>	1,155,142	<b>3,623,012</b>	4,018,718
Deferred inflows of resources	<b>106,283</b>	104,414	-	-	<b>106,283</b>	104,414
Net position:						
Net investment in capital assets	<b>3,424,281</b>	3,482,686	<b>4,447,609</b>	4,651,368	<b>7,871,890</b>	8,134,054
Restricted	<b>764,146</b>	671,336	-	-	<b>764,146</b>	671,336
Unrestricted (deficit)	<b>(1,736,744)</b>	(2,125,836)	<b>2,421,544</b>	2,505,597	<b>684,800</b>	379,761
Total net position	<b>\$ 2,451,683</b>	\$ 2,028,186	<b>\$ 6,869,153</b>	\$ 7,156,965	<b>\$ 9,320,836</b>	\$ 9,185,151

# Village of Lake Orion

## Management's Discussion and Analysis

June 30, 2017

### Village of Lake Orion – Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charge for services	\$ 454,141	\$ 630,582	\$ 1,380,166	\$ 1,326,306	\$ 1,834,307	\$ 1,956,888
Operating grants and contributions	570,098	571,772	-	-	570,098	571,772
Capital grants and contributions	26,023	147	198,621	30,739	224,644	30,886
General revenues:						
Property taxes	987,679	957,326	-	-	987,679	957,326
State shared revenues	262,694	249,448	-	-	262,694	249,448
Unrestricted investment earnings	4,080	4,777	19,316	23,969	23,396	28,746
Transfers	160,297	21,950	(100,297)	(21,950)	60,000	-
Total revenues	<b>2,465,012</b>	2,436,002	<b>1,497,806</b>	1,359,064	<b>3,962,818</b>	3,795,066
Expenses:						
General government	758,581	838,345	-	-	758,581	838,345
Public safety	551,531	934,818	-	-	551,531	934,818
Public works	626,523	1,054,372	-	-	626,523	1,054,372
Community development	68,639	67,385	-	-	68,639	67,385
Recreation and culture	32,729	29,734	-	-	32,729	29,734
Interest on long-term debt	3,512	1,827	-	-	3,512	1,827
Water and sewer	-	-	1,785,618	1,696,101	1,785,618	1,696,101
Total expenses	<b>2,041,515</b>	2,926,481	<b>1,785,618</b>	1,696,101	<b>3,827,133</b>	4,622,582
Change in net position	<b>\$ 423,497</b>	\$ (490,479)	<b>\$ (287,812)</b>	\$ (337,037)	<b>\$ 135,685</b>	\$ (827,516)

**Governmental Activities.** Governmental activities increased net position by \$423,497, as compared to a decrease of \$490,479 in the prior year. This change was primarily driven by a gain in the Village's pension plan.

**Business-type Activities.** Business-type activities decreased net position by \$287,812, which reflect the activity in the Village's Water and Sewer Fund. In fiscal year 2017, the Water and Sewer Fund reflected an operating loss of \$381,351, which includes \$248,469 of depreciation expense.

# Village of Lake Orion

## Management's Discussion and Analysis

June 30, 2017

### **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 \$1,256,493, approximately 33% of this total amount (\$419,834) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is non-spendable (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 \$115,116 in 2017 as compared to an increase of \$53,909 for the 2016 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 \$419,834, while the total fund balance was \$425,468. Unassigned fund balance represents 26% of total general fund expenditures including operating transfers, while the total fund balance represents 27% of that same amount. The fund balance of the Village's general fund increased \$49,436 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 \$2,421,544. The Water and Sewer Fund had an operating loss of \$381,351 at year end, and a total net loss of \$287,812, as compared to an operating loss of \$347,405 and total net loss of \$337,037 in the prior fiscal year.

### **General Fund Budgetary Highlights**

There was a \$19,726 increase in budgeted revenues between the original budget and the final amended budget. The adjustments were to account for a potential reimbursement of community development block grant expenditures.

# Village of Lake Orion

## Management's Discussion and Analysis

June 30, 2017

### **Capital Asset and Debt Administration**

**Capital Assets.** The Village's investment in capital assets for its governmental and business-type activities is \$8,854,037 (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 4% decrease in business-type activities. Governmental capital assets additions include vehicles and equipment purchased during fiscal year 2017.

**Long-term Debt.** At the end of the current fiscal year, the Village had total bond debt outstanding of \$957,533, and an installment loan of \$24,614. Of these amounts, \$39,614 is governmental, and \$942,533 is business-type.

At the end of the current fiscal year, the Village's Component Unit (DDA) had an advance to the Water & Sewer Fund outstanding of \$480,000 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 2017/2018 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. However, the Village has experienced significant decreases in property tax revenues and investment earnings over the last several years.

The Village has made every effort to reduce expenses at the same rate as the reduction in revenue, 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.

In August 2014, the voters in the State of Michigan approved the elimination of personal property taxes, which will be phased out over the next few years. The effect of that could amount to about \$30,000 for the General Fund and close to that same amount in the DDA Fund.

### **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, 2017

	Primary Government			Component Unit – DDA
	Governmental Activities	Business-type Activies	Total	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,133,700	\$ 1,659,972	\$ 2,793,672	\$ 258,136
Receivables (net of allowance for uncollectibles)	157,023	443,032	600,055	-
Due from other governmental units	120,179	13,320	133,499	-
Prepaid expenditures	27,949	1,278	29,227	3,913
Total current assets	<u>1,438,851</u>	<u>2,117,602</u>	<u>3,556,453</u>	<u>262,049</u>
Advance to component unit	-	480,000	480,000	-
Capital assets – non-depreciating	498,484	-	498,484	113,479
Capital assets, net of accumulated depreciation	<u>2,965,411</u>	<u>5,390,142</u>	<u>8,355,553</u>	<u>2,966,208</u>
Net capital assets	<u>3,463,895</u>	<u>5,390,142</u>	<u>8,854,037</u>	<u>3,079,687</u>
Total assets	<u>4,902,746</u>	<u>7,987,744</u>	<u>12,890,490</u>	<u>3,341,736</u>
<b>Deferred outflow of resources</b>				
Deferred outflow related to pensions	<u>159,641</u>	-	<u>159,641</u>	-
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	53,866	172,363	226,229	14,201
Accrued liabilities	22,209	-	22,209	-
Current portion of compensated absences	78,813	500	79,313	-
Current portion of long-term debt	<u>31,214</u>	<u>45,789</u>	<u>77,003</u>	<u>120,000</u>
Total current liabilities	186,102	218,652	404,754	134,201
Noncurrent liabilities:				
Other post employment benefit liability	886,770	-	886,770	-
Net pension liability	1,296,919	-	1,296,919	-
Compensated absences, net of current portion	126,230	3,195	129,425	-
Long-term debt, net of current portion	<u>8,400</u>	<u>896,744</u>	<u>905,144</u>	<u>360,000</u>
Total noncurrent liabilities	<u>2,318,319</u>	<u>899,939</u>	<u>3,218,258</u>	<u>360,000</u>
Total liabilities	<u>2,504,421</u>	<u>1,118,591</u>	<u>3,623,012</u>	<u>494,201</u>
<b>Deferred inflow of resources</b>				
Taxes levied for the following year	<u>106,283</u>	-	<u>106,283</u>	-
<b>Net position</b>				
Net investment in capital assets	3,424,281	4,447,609	7,871,890	2,599,687
Restricted for:				
Police	38,324	-	38,324	-
Streets	456,317	-	456,317	-
Debt service	2,635	-	2,635	-
Perpetual care	266,870	-	266,870	-
Unrestricted	<u>(1,736,744)</u>	<u>2,421,544</u>	<u>684,800</u>	<u>247,848</u>
Total net position	<u>\$ 2,451,683</u>	<u>\$ 6,869,153</u>	<u>\$ 9,320,836</u>	<u>\$ 2,847,535</u>

See accompanying notes.

Village of Lake Orion  
Statement of Activities  
Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit - DDA
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
Governmental activities:								
General government	\$ 758,581	\$ 26,776	\$ 570	\$ -	\$ (731,235)	\$ -	\$ (731,235)	\$ -
Public safety	551,531	82,172	357,646	-	(111,713)	-	(111,713)	-
Public works	626,523	322,392	211,882	-	(92,249)	-	(92,249)	-
Community development	68,639	11,480	-	26,023	(31,136)	-	(31,136)	-
Recreation and culture	32,729	11,321	-	-	(21,408)	-	(21,408)	-
Interest on long-term debt	3,512	-	-	-	(3,512)	-	(3,512)	-
Total governmental activities	2,041,515	454,141	570,098	26,023	(991,253)	-	(991,253)	-
Business-type activities:								
Water and sewer	1,785,618	1,380,166	-	198,621	-	(206,831)	(206,831)	-
Total primary government	\$ 3,827,133	\$ 1,834,307	\$ 570,098	\$ 224,644	\$ (991,253)	\$ (206,831)	\$ (1,198,084)	\$ -
<b>Component unit:</b>								
Downtown development authority	\$ 459,860	\$ 66,700	\$ 71,884	\$ -	-	-	-	(321,276)
General revenues and transfers:								
Property taxes					987,679	-	987,679	523,753
State shared revenue					262,694	-	262,694	-
Unrestricted investment earnings					4,080	19,316	23,396	690
Transfers					160,297	(100,297)	60,000	(60,000)
Total general revenues and transfers					1,414,750	(80,981)	1,333,769	464,443
Change in net position					423,497	(287,812)	135,685	143,167
Net position at beginning of year					2,028,186	7,156,965	9,185,151	2,704,368
Net position at end of year					\$ 2,451,683	\$ 6,869,153	\$ 9,320,836	\$ 2,847,535

See accompanying notes.

Village of Lake Orion

Governmental Funds  
Balance Sheet

June 30, 2017

	General Fund	Public Works Fund	Police Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 324,280	\$ 57,675	\$ 62,452	\$ 689,293	\$ 1,133,700
Receivables (net of allowance for uncollectibles)	49,564	-	106,229	1,230	157,023
Due from State	48,774	-	-	40,986	89,760
Due from County	25,910	-	4,509	-	30,419
Prepaid expenditures	5,634	10,405	11,159	751	27,949
Total assets	<u>\$ 454,162</u>	<u>\$ 68,080</u>	<u>\$ 184,349</u>	<u>\$ 732,260</u>	<u>\$ 1,438,851</u>
<b>Liabilities, deferred inflows of resources, and fund balance</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 21,433	\$ 11,919	\$ 17,217	\$ 3,297	\$ 53,866
Accrued and other liabilities	7,261	3,582	11,366	-	22,209
Total liabilities	<u>28,694</u>	<u>15,501</u>	<u>28,583</u>	<u>3,297</u>	<u>76,075</u>
<b>Deferred inflows of resources:</b>					
Taxes levied for the following year	-	-	106,283	-	106,283
<b>Fund balance:</b>					
Nonspendable – prepaid expenditures	5,634	10,405	11,159	751	27,949
<b>Restricted for:</b>					
Police	-	-	38,324	-	38,324
Streets	-	-	-	456,317	456,317
Debt service	-	-	-	2,635	2,635
Capital projects	-	-	-	2,390	2,390
Perpetual care	-	-	-	266,870	266,870
Committed for public works	-	42,174	-	-	42,174
Unassigned	419,834	-	-	-	419,834
Total fund balance	<u>425,468</u>	<u>52,579</u>	<u>49,483</u>	<u>728,963</u>	<u>1,256,493</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 454,162</u>	<u>\$ 68,080</u>	<u>\$ 184,349</u>	<u>\$ 732,260</u>	<u>\$ 1,438,851</u>

See accompanying notes.

Village of Lake Orion

Governmental Funds

Reconciliation of Balance Sheet to Statement of Net Position

June 30, 2017

Total fund balance – governmental funds \$ 1,256,493

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 3,463,895

Governmental funds report actual pension 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 159,641

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	(886,770)
Net pension liability	(1,296,919)
Compensated absences	(205,043)
Long-term debt	(39,614)
Net position – governmental activities	<u>\$ 2,451,683</u>

*See accompanying notes.*

Village of Lake Orion  
Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Year Ended June 30, 2017

	General Fund	Public Works Fund	Police Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 987,679	\$ -	\$ -	\$ -	\$ 987,679
Intergovernmental:					
Federal, state, and local	288,717	-	357,646	211,882	858,245
Charges for services	179,106	125,827	32,230	9,500	346,663
Fines and forfeitures	-	-	42,502	-	42,502
Interest	1,132	184	3	2,761	4,080
Other revenues	27,346	30,739	7,440	21	65,546
Total revenues	<u>1,483,980</u>	<u>156,750</u>	<u>439,821</u>	<u>224,164</u>	<u>2,304,715</u>
<b>Expenditures</b>					
Current:					
General government	597,786	-	-	-	597,786
Public safety	-	-	717,318	-	717,318
Public works	205,878	446,385	-	125,565	777,828
Community and economic development	68,639	-	-	-	68,639
Recreation and culture	27,565	-	-	-	27,565
Other	67,632	-	-	-	67,632
Debt service:					
Principal	-	-	32,758	15,000	47,758
Interest and other charges	-	-	2,289	1,223	3,512
Capital outlay	-	29,494	33,772	3,824	67,090
Total expenditures	<u>967,500</u>	<u>475,879</u>	<u>786,137</u>	<u>145,612</u>	<u>2,375,128</u>
Excess of revenues over (under) expenditures	516,480	(319,129)	(346,316)	78,552	(70,413)
<b>Other financing sources (uses)</b>					
Proceeds from installment loan	-	-	25,232	-	25,232
Transfers in	160,297	280,089	350,567	47,714	838,667
Transfers out	(627,341)	(2,390)	-	(48,639)	(678,370)
Total other financing sources and uses	<u>(467,044)</u>	<u>277,699</u>	<u>375,799</u>	<u>(925)</u>	<u>185,529</u>
Net change in fund balance	49,436	(41,430)	29,483	77,627	115,116
Fund balance at beginning of year	376,032	94,009	20,000	651,336	1,141,377
Fund balance at end of year	<u>\$ 425,468</u>	<u>\$ 52,579</u>	<u>\$ 49,483</u>	<u>\$ 728,963</u>	<u>\$ 1,256,493</u>

See accompanying notes.

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, 2017

Net change in fund balance – governmental funds \$ 115,116

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	67,090
Capital outlay – departmental	129,371
Loss on disposal of capital assets	(21,674)
Depreciation expense	(255,718)

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	47,758
Installment loan proceeds	(25,232)

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 other post employment benefit liability	(68,397)
Change in deferred outflows related to pensions	34,920
Change in net pension liability	435,598
Change in compensated absences	(35,335)
Change in net position – governmental activities	\$ 423,497

Village of Lake Orion  
 Proprietary Fund  
 Statement of Net Position

June 30, 2017

	<b>Enterprise Fund</b>
	<b>Water and Sewer</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 1,659,972
Accounts receivable	443,032
Due from Township	7,575
Due from County	5,745
Prepaid expenses	1,278
Total current assets	2,117,602
Advance to component unit	480,000
Property, plant and equipment	12,480,734
Less: Accumulated depreciation	(7,090,592)
Net property, plant and equipment	5,390,142
Total assets	7,987,744
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	172,363
Current portion of compensated absences	500
Current portion of County bonds payable	45,789
Total current liabilities	218,652
Long-term liabilities:	
Compensated absences, less current portion	3,195
County bonds payable, less current portion	896,744
Total long-term liabilities	899,939
Total liabilities	1,118,591
<b>Net position</b>	
Net investment in capital assets	4,447,609
Unrestricted	2,421,544
Total net position	\$ 6,869,153

Village of Lake Orion

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

Year Ended June 30, 2017

	<u>Enterprise Fund</u> <u>Water and Sewer</u>
<b>Operating revenues</b>	
Charges for services	\$ 1,353,007
Penalty charges	23,383
Miscellaneous	3,776
Total operating revenues	<u>1,380,166</u>
<b>Operating expenses</b>	
Salaries and fringe benefits	51,605
Water purchases	409,140
Sewage treatment	723,905
General and administrative	10,966
Supplies	11,825
Contract services	265,865
Equipment repairs and rentals	39,742
Depreciation	248,469
Total operating expenses	<u>1,761,517</u>
Operating income (loss)	(381,351)
<b>Nonoperating revenues (expenses)</b>	
State grants	195,999
Interest earned	19,316
Interest expense and related fees	(24,101)
Total nonoperating revenues (expenses)	<u>191,214</u>
Loss before contributions and transfers	(190,137)
Transfers to other funds	(100,297)
Capital contributions – tap fees	<u>2,622</u>
Change in net position	(287,812)
Net position at beginning of period	7,156,965
Net position at end of period	<u>\$ 6,869,153</u>

Village of Lake Orion

Proprietary Fund  
Statement of Cash Flows

Year Ended June 30, 2017

	<u><b>Enterprise Fund</b></u> <u><b>Water and Sewer</b></u>
<b>Cash flows from operating activities</b>	
Receipts from customers and users	\$ 1,476,832
Payments to suppliers	(1,451,191)
Payments to employees	(51,605)
Net cash from operating activities	<u>(25,964)</u>
<b>Cash flows from capital and related financing activities</b>	
Capital contributions	2,622
State grants proceeds	195,999
Principal paid on capital debt	(46,833)
Interest paid on capital debt	(24,101)
Other payments	(100,297)
Net cash from capital and related financing activities	<u>27,390</u>
<b>Cash flows from investing activities</b>	
Interest earned	<u>19,316</u>
Net change in cash and cash equivalents	20,742
Cash and cash equivalents at beginning of period	1,639,230
Cash and cash equivalents at end of period	<u>\$ 1,659,972</u>
Reconciliation of operating income (loss) to net cash from operating activities:	
Operating income (loss)	\$ (381,351)
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	248,469
Change in receivables	(23,334)
Change in advance to component unit	120,000
Change in accounts payable	10,252
Net cash from operating activities	<u>\$ (25,964)</u>

Village of Lake Orion  
 Fiduciary Funds  
 Statement of Fiduciary Net Position

June 30, 2017

	<b>Retiree Healthcare Trust Fund</b>	<b>Agency Fund</b>
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 77,583
Investments, at fair value:		
Mutual funds	103,539	-
Total assets	103,539	77,583
<b>Liabilities</b>		
Due to other	-	77,583
<b>Net Position</b>		
Held in trust for retirement benefits	\$ 103,539	\$ -

Village of Lake Orion  
 Fiduciary Funds  
 Statement of Changes in Fiduciary Net Position  
 Year Ended June 30, 2017

	<b><u>Retiree Healthcare Trust Fund</u></b>
<b>Additions</b>	
Contributions:	
Employer	\$ 10,000
Investment earnings:	
Net increase in fair value of investments	<u>11,457</u>
Total additions	<u>21,457</u>
<b>Deductions</b>	
Fees	<u>432</u>
Change in net position	21,025
Net position at beginning of year	<u>82,514</u>
Net position at end of year	<u><u>\$ 103,539</u></u>

# Village of Lake Orion

## Notes to Financial Statements

June 30, 2017

### **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, 2017

**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 of 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, 2017

### 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, 2017

### 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 account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

*Debt Service Fund* – Debt Service Fund account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

*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, 2017

### **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, 2017

### **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, 2017

### **1. Summary of Significant Accounting Policies (continued)**

#### **Assets, Liabilities, and Net Position/Fund Balance**

##### Deposits and Investments

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 for the Village, as well as for its component units, are recorded at fair value.

##### 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, 2017.

##### 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:

# Village of Lake Orion

## Notes to Financial Statements

June 30, 2017

### 1. Summary of Significant Accounting Policies (continued)

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

##### Capital Assets (continued)

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.

##### 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.

# Village of Lake Orion

## Notes to Financial Statements

June 30, 2017

### 1. Summary of Significant Accounting Policies (continued)

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

##### 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.

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.

Village of Lake Orion

Notes to Financial Statements

June 30, 2017

**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, 2017, the Village's book balance of its deposits was \$2,870,780; the total book balance was \$2,871,255, due to \$475 in cash on hand. The bank balance was \$2,948,107 which was exposed to custodial credit risk, as follows:

	<b>Bank Balance</b>
Insured by FDIC	\$ 1,370,533
Uninsured and uncollateralized	1,577,574
Total	<u>\$ 2,948,107</u>

A reconciliation of cash for the primary government follows:

Cash and cash equivalents per:	
Statement of net position	\$ 2,793,672
Statement of fiduciary net position	77,583
Total	<u>\$ 2,871,255</u>

As of June 30, 2017, the carrying amount and bank balances of the component units of the Village are as follows:

	<b>Carrying Amount</b>	<b>Bank Balance</b>	<b>FDIC Insured</b>
Downtown Development Authority	\$ 258,136	\$ 258,136	\$ 60,019

Village of Lake Orion

Notes to Financial Statements

June 30, 2017

**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:

<u>Deposits and Investments</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Primary Government:		
Savings and checking accounts	\$ 1,386,876	Demand
Pooled investments (share price \$1)	484,379	Demand
Certificates of Deposits – less than one year	700,000	365 days
Certificates of Deposits – more than one year	300,000	730 days
	<u>\$ 2,871,255</u>	
Trust Funds:		
Mutual Funds – Bonds	\$ 29,593	N/A
Mutual Funds – Equity	73,946	N/A
	<u>\$ 103,539</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, 2017

**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.

**3. Interfund Receivables, Payables, and Transfers**

The transfers between funds may be summarized as follows:

<b>Transfers In</b>	<b>Transfers Out</b>	<b>Amount</b>
Public Works Fund	General Fund	\$ 272,950
Police Fund	General Fund	350,567
Capital Improvement Fund	General Fund	3,824
Capital Improvement Fund	Public Works Fund	2,390
General Fund	Water Sewer Fund	100,297
General Fund	DDA	60,000
Public Works Fund	Cemetery Trust	7,139
Local Street Fund	Major Street Fund	25,000
North Shore Bridge Debt	Local Street Fund	16,500
		<u>\$ 838,667</u>

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, 2017

**4. Capital Assets**

Capital assets activity for primary government for the year ended June 30, 2017 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>General</b>				
Capital assets not being depreciated:				
Land	\$ 498,484	\$ -	\$ -	\$ 498,484
Capital assets being depreciated:				
Land improvements	417,126	27,339	-	444,465
Street and road improvements	2,371,147	-	-	2,371,147
Building and improvements	1,451,425	2,254	-	1,453,679
Machinery and equipment	583,208	64,046	(9,975)	637,279
Vehicles	577,103	102,822	(29,556)	650,369
Total capital assets being depreciated	5,400,009	196,461	(39,531)	5,556,939
Accumulated depreciation:				
Land improvements	(345,494)	(28,545)	-	(374,039)
Street and road improvements	(738,028)	(47,423)	-	(785,451)
Building and improvements	(341,595)	(74,027)	-	(415,622)
Machinery and equipment	(479,630)	(54,079)	9,975	(523,734)
Vehicles	(448,920)	(51,644)	7,882	(492,682)
Total accumulated depreciation	(2,353,667)	(255,718)	17,857	(2,591,528)
Total general capital assets being depreciated, net	3,046,342	(59,257)	(21,674)	2,965,411
Total governmental activities capital assets, net	\$ 3,544,826	\$ (59,257)	\$ (21,674)	\$ 3,463,895

The depreciation expense was \$255,718 during the year.

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

<u>Governmental Activities</u>	
General government	\$ 128,518
Public safety	53,568
Public works	68,468
Recreation and culture	5,164
Total depreciation expense – governmental activities	<u>\$ 255,718</u>

Village of Lake Orion

Notes to Financial Statements

June 30, 2017

**4. Capital Assets (continued)**

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets being depreciated:				
Water and sewer mains	\$ 11,373,003	\$ 30	\$ -	\$ 11,373,033
Equipment	206,988	-	-	206,988
Intangible assets – water lines	900,713	-	-	900,713
Total capital assets being depreciated	12,480,704	30	-	12,480,734
Accumulated depreciation:				
Water and sewer mains	(6,151,153)	(228,609)	-	(6,379,762)
Equipment	(195,576)	-	2,658	(192,918)
Intangible assets – water lines	(495,394)	(22,518)	-	(517,912)
Total accumulated depreciation	(6,842,123)	(251,127)	2,658	(7,090,592)
Business-type activities capital assets, net	\$ 5,638,581	\$ (251,096)	\$ 2,658	\$ 5,390,142

Depreciation expense was \$251,127 during the year. All depreciation expense was charged to the water and sewer function in the statement of activities.

<b>Component Unit – DDA</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ -	\$ 113,479	\$ -	\$ 113,479
Capital assets being depreciated:				
Land improvements	790,833	7,788	-	798,621
Street and road improvements	3,047,010	-	-	3,047,010
Building and improvements	499,000	-	-	499,000
Equipment	12,175	599	-	12,774
Total capital assets being depreciated	4,349,018	8,387	-	4,357,405
Accumulated depreciation:				
Land improvements	(504,366)	(35,848)	-	(540,214)
Street and road improvements	(636,681)	(72,651)	-	(709,332)
Building and improvements	(118,512)	(12,474)	-	(130,986)
Equipment	(11,165)	-	500	(10,665)
Total accumulated depreciation	(1,270,724)	(120,973)	500	(1,391,197)
Component unit capital assets being depreciated, net	3,078,294	(112,586)	500	2,966,208
Component unit capital assets, net	\$ 3,078,294	\$ 893	\$ 500	\$ 3,079,687

Depreciation expense was \$120,973 during the year.

Village of Lake Orion  
Notes to Financial Statements

June 30, 2017

**5. Long-Term Debt**

The following is a summary of long-term debt transactions of the Village for the year ended June 30, 2017:

	<b>Balance July 1, 2016</b>	<b>Add: Additional Debt Incurred</b>	<b>Less: Retirements and Payments on Debt</b>	<b>Balance June 30, 2017</b>	<b>Due Within One Year</b>
Governmental Activities:					
MTF Bonds	\$ 30,000	\$ -	\$ 15,000	\$ 15,000	\$ 15,000
Installment loan	32,140	25,232	32,758	24,614	16,214
Compensated absences	169,708	35,335	-	205,043	78,813
Total governmental activities	<u>231,848</u>	<u>60,567</u>	<u>47,758</u>	<u>244,657</u>	<u>110,027</u>
Business-type Activities:					
County Interceptor Bonds	987,213	-	44,680	942,533	45,789
Compensated absences	5,818	-	2,123	3,695	500
Total business-type activities	<u>993,031</u>	<u>-</u>	<u>46,803</u>	<u>946,228</u>	<u>46,289</u>
Total	<u>\$ 1,224,879</u>	<u>\$ 60,567</u>	<u>\$ 94,561</u>	<u>\$ 1,190,885</u>	<u>\$ 156,316</u>
Component Unit – DDA:					
Long-term advance	<u>\$ 600,000</u>	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ 480,000</u>	<u>\$ 120,000</u>

The following is a summary of general obligation debt outstanding (excluding compensated absences) of the Village as of June 30, 2017:

	<b>Number of Issues</b>	<b>Interest Rate</b>	<b>Maturing Through</b>	<b>Principal Outstanding</b>
Governmental Activities:				
MTF Bonds	1	4.10%	2018	\$ 15,000
Installment loan	2	6.00-6.50%	2019	24,614
				<u>\$ 39,614</u>
Business-type Activities:				
County Interceptor Bonds	7	2.00-5.90%	2035	<u>\$ 942,533</u>
Component Unit – DDA				
Long term advance	1	2.00%	2021	<u>\$ 480,000</u>

Village of Lake Orion

Notes to Financial Statements

June 30, 2017

**5. Long-Term Debt (continued)**

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 is \$942,533.

During fiscal year 2011, the Downtown Development Authority commenced construction on a Streetscape and Children's Park improvement projects. 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.

The annual debt service requirements to maturity for general obligation debt outstanding as of June 30, 2017 are as follows:

Year Ended	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 31,214	\$ 2,607	\$ 45,789	\$ 22,540
2019	8,400	504	46,904	21,476
2020	-	-	48,030	20,373
2021	-	-	49,211	19,231
2022	-	-	50,346	18,053
2023-2027	-	-	271,090	71,234
2028-2032	-	-	288,323	35,308
2033-2035	-	-	142,840	5,152
	<u>\$ 39,614</u>	<u>\$ 3,111</u>	<u>\$ 942,533</u>	<u>\$ 213,367</u>

Village of Lake Orion

Notes to Financial Statements

June 30, 2017

**5. Long-Term Debt (continued)**

<b>Component Unit – DDA</b>		
<b>Year Ended</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 120,000	\$ 9,600
2019	120,000	7,200
2020	120,000	4,800
2021	120,000	2,400
	<u>\$ 480,000</u>	<u>\$ 24,000</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, 2017

**6. Employees' Retirement System (continued)**

As of the December 31, 2016 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	13
Inactive plan members entitled to, but not yet receiving benefits	4
Active plan members	<u>5</u>
Total employees covered by MERS plan	<u>22</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, 2017, 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 \$9,603.

**Net Pension Liability**

The net pension liability reported as of June 30, 2017 was determined using a measure of the total pension liability and the plan net position as of December 31, 2016. The December 31, 2016 total pension liability was determined by an actuarial valuation performed as of that date.

Village of Lake Orion  
Notes to Financial Statements

June 30, 2017

**6. Employees' Retirement System (continued)**

**Net Pension Liability (continued)**

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

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Net Position</b>	<b>Net Pension Liability</b>
Balance as of December 31, 2015	\$ 4,217,791	\$ 2,485,274	\$ 1,732,517
Service cost	28,587	-	28,587
Interest	326,778	-	326,778
Contributions – employer	-	114,072	(114,072)
Contributions – employee	-	13,867	(13,867)
Net investment income	-	275,341	(275,341)
Differences between expected and actual experience	(393,125)	-	(393,125)
Change in assumptions	-	-	-
Benefit payments, including refunds	(294,716)	(294,716)	-
Administrative expenses	-	(5,442)	5,442
Net changes	(332,476)	103,122	(435,598)
Balance as of December 31, 2016	<u>\$ 3,885,315</u>	<u>\$ 2,588,396</u>	<u>\$ 1,296,919</u>

Village of Lake Orion

Notes to Financial Statements

June 30, 2017

**6. Employees' Retirement System (continued)**

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

For the year ending June 30, 2017, the Village recognized a pension gain of \$198,550. At June 30, 2017, the Village reported deferred outflow 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*	\$ 102,023	\$ -
Employer contributions to plan subsequent to the measurement date**	57,618	-
Total	<u>\$ 159,641</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>
2018	\$ 39,568
2019	39,568
2020	39,568
2021	(16,681)

\*\* 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, 2018.

**Actuarial Assumptions**

The total pension liability in the December 31, 2016 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, 2017

**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, 2016 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, 2016, the measurement date, for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global equity	58%	5.0%
Global fixed income	20%	2.2%
Real assets	12%	4.2%
Diversifying strategies	10%	6.6%

**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, 2017

**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:

	<b>1% Decrease (7.00%)</b>	<b>Current Discount Rate (8.00%)</b>	<b>1% Increase (9.00%)</b>
Net pension liability	\$ 1,650,929	\$ 1,296,919	\$ 989,422

**7. Post-Employment Healthcare Benefits**

**Plan Description**

The Village provides health care benefits to nine retirees in accordance with their respective labor contracts. The Village includes these retirees and their dependents in its insured health care plan, with three having no contribution required by the participants and six that have 25% contribution requirements. In addition, there are six active employees currently covered by the plan. Expenditures for post-employment health care benefits are recognized as the insurance premiums become due. During the year, this amounted to \$94,956, net of participant contributions.

**Funding Policy**

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). For the year ending June 30, 2017, the amount of the contribution was \$94,956.

**Annual OPEB Cost and Net OPEB Obligation**

The Village's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Village of Lake Orion  
Notes to Financial Statements

June 30, 2017

**7. Post-Employment Healthcare Benefits (continued)**

**Annual OPEB Cost and Net OPEB Obligation (continued)**

The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation to the plan:

Annual Required Contribution (ARC)	\$	116,067
Interest on net OPEB obligation		57,286
Annual OPEB cost		173,353
Payments of current premiums		(94,956)
Advance funding		(10,000)
Change in net OPEB obligation		68,397
Net OPEB obligation at beginning of year		818,373
Net OPEB obligation at end of year	\$	886,770

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2017, is as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Amount of Contribution</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
06/30/2015	\$ 232,790	\$ 99,930	43%	\$ 695,403
06/30/2016	233,082	110,112	47%	818,373
06/30/2017	173,353	104,956	61%	886,770

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, expected future working life, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Village of Lake Orion

Notes to Financial Statements

June 30, 2017

**7. Post-Employment Healthcare Benefits (continued)**

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The funded status of the plan is as follows:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percent of Covered Payroll</b>
06/30/2015	\$ 72,465	\$ 1,840,631	\$ 1,768,166	3.9%	N/A	N/A

This trend information was obtained from the most recently issued actuarial reports.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

**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, 2017

**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 following is a summary of the tax rates levied on the 2016 tax roll:

Purpose	Authorization	Authorized Rate	Per \$1,000 of State Equalized Value	
			Authorized Rate Post "Roll Back"	Rate Levied
Operating	State Law	20.00	11.6554	10.1136

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, 2016 Township tax levy is paid by residents through February 2017. The Township remits its payment to the Village through June 2017, which will be used to replace the July 1, 2017 tax levy.

**9. Risk Management**

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, an 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, 2017

**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 2017, several budget amendments were made.

Village of Lake Orion

Notes to Financial Statements

June 30, 2017

**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, 2017, the Village incurred expenditures in excess of the amounts appropriated as follows:

<b>Budget Item</b>	<b>Budget Appropriation</b>	<b>Actual Expenditure</b>	<b>Variance</b>
General Fund			
Village manager	\$ 99,446	\$ 99,457	\$ 11
Treasurer	95,736	96,445	709
Street lighting	38,500	44,838	6,338
Public Works Fund			
Wages and benefits	290,646	312,169	21,523
Repairs and maintenance	30,736	30,799	63
Cemetery	58,563	61,149	2,586
Public works	30,034	30,490	456
Police Fund			
Capital outlay	8,540	33,772	25,232

**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.

## Village of Lake Orion

### Notes to Financial Statements

June 30, 2017

#### **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 \$11,000 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 facility is also frozen. The Village's property tax revenue was reduced by approximately \$3,000 under this program.

#### **13. Upcoming Accounting Pronouncement**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits other than Pensions*, which addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense. The Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity. The requirements of this Statement are effective for fiscal years beginning after June 15, 2017.

## 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, 2017

	2017	2016	2015
<b>Total pension liability</b>			
Service cost	\$ 28,587	\$ 27,164	\$ 33,257
Interest	326,778	329,227	308,260
Difference between expected and actual experience	(393,125)	(5,100)	-
Changes in assumptions	-	184,225	-
Benefit payments including refunds	(294,716)	(336,654)	(318,528)
Net change in total pension liability	(332,476)	198,862	22,989
Total pension liability at beginning of year	4,217,791	4,018,929	3,995,940
Total pension liability at end of year	<u>\$ 3,885,315</u>	<u>\$ 4,217,791</u>	<u>\$ 4,018,929</u>
<b>Plan fiduciary net position</b>			
Contributions – employer	114,072	\$ 107,640	\$ 107,334
Contributions – employee	13,867	14,348	16,627
Net investment income	275,341	(38,613)	171,339
Benefit payments including refunds	(294,716)	(336,654)	(318,528)
Administrative expense	(5,442)	(5,808)	(6,252)
Net change in plan fiduciary net position	103,122	(259,087)	(29,480)
Plan fiduciary net position at beginning of year	2,485,274	2,744,361	2,773,841
Plan fiduciary net position at end of year	<u>\$ 2,588,396</u>	<u>\$ 2,485,274</u>	<u>\$ 2,744,361</u>
Villages net pension liability at end of year	<u>\$ 1,296,919</u>	<u>\$ 1,732,517</u>	<u>\$ 1,274,568</u>
Plan fiduciary net position as a percentage of the total pension liability	66.6%	58.9%	68.3%
Covered employee payroll	\$ 277,342	\$ 268,611	\$ 324,635
Employer’s net pension liability as a percentage of covered employee payroll	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, 2017

<u>County</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarial determined contributions	\$ 115,236	\$ 112,908	\$ 102,012	\$ 113,016	\$ 102,960	\$ 89,448	\$ 67,977	\$ 69,506	\$ 100,373	\$ 114,137
Contributions in relation to the actuarially determined contribution	115,236	112,908	102,012	113,016	102,960	89,448	67,977	69,506	100,373	114,137
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 277,342	\$ 268,611	\$ 324,635	\$ 378,751	\$ 489,211	\$ 666,239	\$ 667,434	\$ 659,155	\$ 834,509	\$ 905,082
Contributions as a percentage of covered employee payroll	41.6%	42.0%	31.4%	29.8%	21.0%	13.4%	10.2%	10.5%	12.0%	12.6%

**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  
24 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 Funding Progress and Employer Contributions  
Other Post Employment Benefits

Year Ended June 30, 2017

**Schedule of Funding Progress**

The funded status of the plan as of the most recent alternative measurement valuation date is presented in the schedule of funding progress as follows:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Underfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percent of Covered Payroll</b>
6/30/2009	\$ -	\$ 2,492,456	\$ 2,492,456	0.0%	N/A	N/A
6/30/2012	30,779	2,916,357	2,885,578	1.1%	N/A	N/A
6/30/2015	72,465	1,840,631	1,768,166	3.9%	N/A	N/A

**Schedule of Employer Contributions**

<b>Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Amount of Contribution</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2015	\$ 232,790	\$ 99,930	43%	\$ 695,406
6/30/2016	233,082	110,112	47%	818,373
6/30/2017	173,353	104,956	61%	886,770

The information presented above was determined as part of the actuarial valuation at the dates indicated. Additional information as of the date of the latest actuarial valuation is as follows:

Valuation date	June 30, 2015
Actuarial cost method	Entry Age Cost Method
Asset valuation method	Market value
Actuarial assumptions:	
Interest rate on net OPEB obligation	7.00%
Medical care cost trend rate	National Health Expenditures Table 3; 2005-2020

Village of Lake Orion  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual  
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Property taxes	\$ 960,413	\$ 960,413	\$ 956,272	\$ (4,141)
Penalties and interest	2,000	2,000	3,537	1,537
In lieu of taxes	27,300	27,300	27,870	570
Intergovernmental – Federal/CDBG	9,256	25,910	26,023	113
Intergovernmental – State	249,500	249,500	262,694	13,194
Charges for services	176,000	176,000	179,106	3,106
Interest earnings	800	800	1,132	332
Other revenues	-	4,872	27,346	22,474
Total revenues	<u>1,425,269</u>	<u>1,446,795</u>	<u>1,483,980</u>	<u>37,185</u>
<b>Expenditures</b>				
General government:				
Village council	3,021	3,021	2,345	676
Village manager	98,206	99,446	99,457	(11)
Clerk	83,367	84,197	81,180	3,017
Treasurer	94,846	95,736	96,445	(709)
Municipal building	243,148	270,094	265,885	4,209
Data processing	22,000	23,600	21,153	2,447
Professional services	45,146	36,146	31,321	4,825
	<u>589,734</u>	<u>612,240</u>	<u>597,786</u>	<u>14,454</u>
Public works:				
Sanitation	161,040	161,040	161,040	-
Street lighting	35,000	38,500	44,838	(6,338)
	<u>196,040</u>	<u>199,540</u>	<u>205,878</u>	<u>(6,338)</u>
Community and economic development:				
Community development and block grant	9,675	11,926	11,279	647
Planning and zoning	58,035	57,604	57,360	244
	<u>67,710</u>	<u>69,530</u>	<u>68,639</u>	<u>891</u>
Recreation and cultural:				
Parks and Recreation	28,094	28,094	27,565	529
Other functions:				
Insurance	65,816	67,716	67,632	84
Total expenditures	<u>947,394</u>	<u>977,120</u>	<u>967,500</u>	<u>9,620</u>
Excess of revenues over expenditures	<u>477,875</u>	<u>469,675</u>	<u>516,480</u>	<u>46,805</u>
Other financing sources (uses):				
Transfers in	162,297	160,297	160,297	-
Transfers out	(635,767)	(625,767)	(627,341)	1,574
Total other financing sources (uses)	<u>(473,470)</u>	<u>(465,470)</u>	<u>(467,044)</u>	<u>1,574</u>
Net change in fund balance	4,405	4,205	49,436	45,231
Fund balance at beginning of period	376,032	376,032	376,032	-
Fund balance at end of period	<u>\$ 380,437</u>	<u>\$ 380,237</u>	<u>\$ 425,468</u>	<u>\$ 45,231</u>

Village of Lake Orion  
Public Works Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual  
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Charges for services	\$ 32,136	\$ 31,200	\$ 31,200	\$ -
Equipment rental	85,000	85,000	64,714	(20,286)
Cemetery	23,000	23,000	29,913	6,913
Interest income	200	200	184	(16)
Other	-	-	30,739	30,739
Total revenues	<u>140,336</u>	<u>139,400</u>	<u>156,750</u>	<u>17,350</u>
<b>Expenditures</b>				
Public works:				
Wages and benefits	289,065	290,646	312,169	(21,523)
Repairs and maintenance	22,000	30,736	30,799	(63)
Other	39,822	39,222	31,179	8,043
Cemetery	53,380	58,563	61,149	(2,586)
Phase II Stormwater	15,981	11,281	10,093	1,188
Public works	-	30,034	30,490	(456)
Total expenditures	<u>420,248</u>	<u>460,482</u>	<u>475,879</u>	<u>(15,397)</u>
Excess (deficiency) of revenues over expenditures	<u>(279,912)</u>	<u>(321,082)</u>	<u>(319,129)</u>	<u>1,953</u>
Other financing sources (uses):				
Transfers in	279,950	279,950	280,089	(139)
Transfers out	-	-	(2,390)	2,390
Total other financing sources (uses)	<u>279,950</u>	<u>279,950</u>	<u>277,699</u>	<u>2,251</u>
Net change in fund balance	38	(41,132)	(41,430)	(298)
Fund balance at beginning of year	94,009	94,009	94,009	-
Fund balance at end of year	<u>\$ 94,047</u>	<u>\$ 52,877</u>	<u>\$ 52,579</u>	<u>\$ (298)</u>

Village of Lake Orion  
Police Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual  
Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Intergovernmental – State	\$ 1,300	\$ 1,300	\$ 1,223	\$ (77)
Intergovernmental – Local	357,500	357,500	356,423	(1,077)
Charges for services	15,000	41,146	32,230	(8,916)
Fines and forfeitures	59,500	59,500	42,502	(16,998)
Interest	-	-	3	3
Other	8,000	8,000	7,440	(560)
Total revenues	441,300	467,446	439,821	(27,625)
<b>Expenditures</b>				
Wages and benefits	638,702	627,002	594,575	32,427
Other	145,465	149,665	122,743	26,922
Debt service	17,700	35,306	35,047	259
Capital outlay	-	8,540	33,772	(25,232)
Total expenditures	801,867	820,513	786,137	34,376
Excess of revenues over (under) expenditures	(360,567)	(353,067)	(346,316)	6,751
Other financing sources (uses):				
Proceeds from installment loan	-	-	25,232	25,232
Transfers in	360,567	350,567	350,567	-
Transfers out	-	-	-	-
Total other financing sources (uses)	360,567	350,567	375,799	25,232
Net change in fund balance	-	(2,500)	29,483	31,983
Fund balance at beginning of year	20,000	20,000	20,000	-
Fund balance at end of year	\$ 20,000	\$ 17,500	\$ 49,483	\$ 31,983

## Other Supplementary Information

Village of Lake Orion

Nonmajor Governmental Funds  
Combining Balance Sheet

June 30, 2017

	<b>Special Revenue</b>		<b>Debt Service</b>	<b>Capital Project</b>	<b>Permanent Fund</b>	
	<b>Major Street</b>	<b>Local Street</b>	<b>North Shore Bridge</b>	<b>Capital Improvement</b>	<b>Cemetery Perpetual Care</b>	<b>Total</b>
<b>Assets</b>						
Cash	\$ 296,351	\$ 122,277	\$ 2,635	\$ 2,390	\$ 265,640	\$ 689,293
Accounts receivable	-	-	-	-	1,230	1,230
Due from State	28,605	12,381	-	-	-	40,986
Prepaid expenses	259	492	-	-	-	751
<b>Total assets</b>	<b>\$ 325,215</b>	<b>\$ 135,150</b>	<b>\$ 2,635</b>	<b>\$ 2,390</b>	<b>\$ 266,870</b>	<b>\$ 732,260</b>
<b>Liabilities and fund balance</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 1,080	\$ 2,217	\$ -	\$ -	\$ -	\$ 3,297
<b>Fund balance:</b>						
Nonspendable – prepaid	259	492	-	-	-	751
Restricted for streets	323,876	132,441	-	-	-	456,317
Restricted for debt service	-	-	2,635	-	-	2,635
Restricted for capital projects	-	-	-	2,390	-	2,390
Restricted for perpetual care	-	-	-	-	266,870	266,870
<b>Total fund balance</b>	<b>324,135</b>	<b>132,933</b>	<b>2,635</b>	<b>2,390</b>	<b>266,870</b>	<b>728,963</b>
<b>Total liabilities and fund balance</b>	<b>\$ 325,215</b>	<b>\$ 135,150</b>	<b>\$ 2,635</b>	<b>\$ 2,390</b>	<b>\$ 266,870</b>	<b>\$ 732,260</b>

Village of Lake Orion  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Year Ended June 30, 2017

	Special Revenue		Debt Service	Capital Project	Permanent Fund	Total
	Major Street	Local Street	North Shore Bridge	Capital Improvement	Cemetery Perpetual Care	
<b>Revenues</b>						
State-shared revenue	\$ 147,877	\$ 64,005	\$ -	\$ -	\$ -	\$ 211,882
Charges for services	-	-	-	-	9,500	9,500
Interest earned	585	300	-	-	1,876	2,761
Other revenues	10	11	-	-	-	21
Total revenues	148,472	64,316	-	-	11,376	224,164
<b>Expenditures</b>						
Highways, streets, sidewalks and other maintenance	48,534	77,031	-	-	-	125,565
Debt service:						
Principal	-	-	15,000	-	-	15,000
Interest and other charges	-	-	1,223	-	-	1,223
Capital outlay	-	-	-	3,824	-	3,824
Total expenditures	48,534	77,031	16,223	3,824	-	145,612
Excess (deficiency) of revenues over expenditures	99,938	(12,715)	(16,223)	(3,824)	11,376	78,552
Other financing sources (uses):						
Operating transfers in	-	25,000	16,500	6,214	-	47,714
Operating transfers out	(25,000)	(16,500)	-	-	(7,139)	(48,639)
Total other financing sources (uses):	(25,000)	8,500	16,500	6,214	(7,139)	(925)
Change in fund balance	74,938	(4,215)	277	2,390	4,237	77,627
Fund balance at beginning of year	249,197	137,148	2,358	-	262,633	651,336
Fund balance at end of year	\$ 324,135	\$ 132,933	\$ 2,635	\$ 2,390	\$ 266,870	\$ 728,963

Village of Lake Orion

Combining Balance Sheet  
Component Unit – DDA

June 30, 2017

	<b>Downtown Development Authority</b>	<b>DDA Property Acquisition Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash	\$ 257,538	\$ 598	\$ 258,136
Prepaid expenditures	3,913	-	3,913
Total assets	<u>\$ 261,451</u>	<u>\$ 598</u>	<u>\$ 262,049</u>
<b>Liabilities and fund balance</b>			
Accounts payable	\$ 14,201	\$ -	\$ 14,201
Fund balance	247,250	598	247,848
Total liabilities and fund balance	<u>\$ 261,451</u>	<u>\$ 598</u>	<u>\$ 262,049</u>

Reconciliation to statement of net position:

Fund balance as of June 30, 2017	\$ 247,848
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,079,687
Long-term liabilities, including long term advance, are not due and payable in the current period and, therefore, are not reported in the funds.	(480,000)
Net position of governmental activities – component unit	<u>\$ 2,847,535</u>

Village of Lake Orion

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

Year Ended June 30, 2017

	<b>Downtown Development Authority</b>	<b>DDA Property Acquisition Fund</b>	<b>Total</b>
<b>Revenues</b>			
Property taxes	\$ 523,753	\$ -	\$ 523,753
Intergovernmental:			
Federal, state and local	71,884	-	71,884
Charges for services	66,700	-	66,700
Interest	689	1	690
Total revenues	<u>663,026</u>	<u>1</u>	<u>663,027</u>
<b>Expenditures</b>			
Community development	322,770	-	322,770
Debt service:			
Principal	120,000	-	120,000
Interest and other charges	12,000	-	12,000
Capital outlay	126,483	-	126,483
Total expenditures	<u>581,253</u>	<u>-</u>	<u>581,253</u>
Excess (deficiency) of revenues over expenditures	81,773	1	81,774
<b>Other financing uses</b>			
Transfers out	<u>(60,000)</u>	<u>-</u>	<u>(60,000)</u>
Net change in fund balance	21,773	1	21,774
Fund balance at beginning of year	225,477	597	226,074
Fund balance at end of year	<u>\$ 247,250</u>	<u>\$ 598</u>	<u>\$ 247,848</u>

Reconciliation to statement of activities:

Net change in fund balance as of June 30, 2017 \$ 21,774

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	121,866
Depreciation expense	(120,973)
Gain on disposal	500

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>\$ 143,167</u>

Village of Lake Orion

Schedule of Indebtedness  
Governmental Funds

June 30, 2017

**2003 Michigan Transportation Fund Bonds**

**Date of Issue: May 1, 2003**

**Total Issue \$175,000**

**Interest Due April 1 and October 1**

**Due As Follows:**

<b>Interest Rate</b>	<b>Date of Maturity</b>	<b>Principal Amount</b>	<b>Annual Interest Payable</b>	<b>Total Obligation</b>
5.00%	10/1/2017	\$ 15,000	\$ 750	\$ 15,750

**2015 Installment Purchase Agreement**

**Ford Police Interceptor Vehicles – 2**

**Date of Issue: October 2, 2015**

**Total Issue \$49,793**

**Due As Follows:**

<b>Interest Rate</b>	<b>Date of Maturity</b>	<b>Principal Amount</b>	<b>Annual Interest Payable</b>	<b>Total Obligation</b>
6.50%	10/2/2017	\$ 8,288	\$ 877	\$ 9,165

**2017 Installment Purchase Agreement**

**Ford Police Interceptor Vehicle**

**Date of Issue: March 15, 2017**

**Total Issue \$25,232**

**Due As Follows:**

<b>Interest Rate</b>	<b>Date of Maturity</b>	<b>Principal Amount</b>	<b>Annual Interest Payable</b>	<b>Total Obligation</b>
6.00%	3/15/2018	\$ 7,926	\$ 980	\$ 8,906
6.00%	3/15/2019	8,400	504	8,904
		\$ 16,326	\$ 1,484	\$ 17,810

Village of Lake Orion  
Schedule of Indebtedness  
Proprietary Funds  
June 30, 2017

**2010A Oakland-Macomb Interceptor Drain Bond**  
Date of Issue: January 22, 2010  
Village of Lake Orion Portion \$83,621 (.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%	4/1/2018	\$ 7,802	\$ 3,235	\$ 11,037
2.50%	4/1/2019	8,001	3,040	11,041
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>\$ 129,397</u>	<u>\$ 25,574</u>	<u>\$ 154,971</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
4.35%	4/1/2018	\$ 1,851	\$ 1,826	\$ 3,677
4.70%	4/1/2019	1,951	1,746	3,697
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>\$ 33,291</u>	<u>\$ 14,641</u>	<u>\$ 47,932</u>

Village of Lake Orion  
Schedule of Indebtedness  
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**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%	10/1/2017	\$ 8,727	\$ 4,448	\$ 13,175
2.50%	10/1/2018	8,970	4,227	13,197
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
		<b>\$ 182,288</b>	<b>\$ 41,422</b>	<b>\$ 223,710</b>

**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%	10/1/2017	\$ 19,370	\$ 8,100	\$ 27,470
2.00%	10/1/2018	19,752	7,708	27,460
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
		<b>\$ 414,772</b>	<b>\$ 79,049</b>	<b>\$ 493,821</b>

Village of Lake Orion  
Schedule of Indebtedness  
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**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%	10/1/2017	\$ 2,650	\$ 1,575	\$ 4,225
2.00%	10/1/2018	2,742	1,521	4,263
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
		\$ 60,960	\$ 17,017	\$ 77,977

**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
2.00%	4/1/2018	\$ 2,678	\$ 1,834	\$ 4,512
2.25%	4/1/2019	2,711	1,780	4,491
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
		\$ 60,929	\$ 20,192	\$ 81,121

Village of Lake Orion  
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**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%	4/1/2018	\$ 2,711	\$ 1,522	\$ 4,233
2.50%	4/1/2019	2,777	1,454	4,231
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	4,132	104	4,236
		\$ 60,896	\$ 15,469	\$ 76,365