

**VILLAGE OF LAKE ORION
Oakland County, Michigan**

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2014**

VILLAGE OF LAKE ORION
For the Year Ended June 30, 2014
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Independent Auditor's Report

December 19, 2014

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, Michigan, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Members of the Village Council
Village of Lake Orion, Michigan
December 19, 2014

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, Michigan, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling information directly to underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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.

Respectfully,



PSLZ LLP
Certified Public Accountants



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Management's Discussion and Analysis

As management of the Village of Lake Orion, we offer readers of the Village of Lake Orion's financial statements this narrative overview and analysis of the financial activities of the Village of Lake Orion for the fiscal year ended June 30, 2014. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- The assets of the Village of Lake Orion exceeded its liabilities at the close of the most recent fiscal year by \$11,109,798 (*net position*). Of this amount, \$2,722,243 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Village's total net position decreased by \$179,440.
- At the close of the most recent fiscal year, the Village of Lake Orion's governmental funds reported combined ending fund balances of \$1,273,242. Approximately 48 percent of this total amount, \$607,507 is *available for spending* at the government's discretion (*assigned and unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$487,878, or 32 percent of total general fund expenditures including operating transfers.
- The Village of Lake Orion's total debt increased by \$338,291 (44 percent) during the current fiscal year, due to the issuance of County bonds of \$452,251 less annual debt service payments made.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Village of Lake Orion's basic financial statements, which have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

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 of Lake Orion 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 of Lake Orion include general government, public works, police, streets, debt service, capital improvements, and cemetery. The business-type activity of the Village of Lake Orion is the Water and Sewer Fund.

The government-wide financial statements include not only the Village of Lake Orion itself (known as the *primary government*), but also a legally separate Downtown Development Authority (DDA) district for which the Village of Lake Orion 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 on pages 11-13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Lake Orion, 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 of Lake Orion 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 of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 impact of the government's near-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 balances 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 on pages 14-16 of this report.

Proprietary funds. The Village of Lake Orion 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 of Lake Orion 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 of Lake Orion.

The basic proprietary fund financial statements can be found on pages 17-19 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 statement because the resources of those funds are *not* available to support the Village of Lake Orion'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 20 of this report.

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 on pages 21-42 of this report.

Government-wide Financial Analysis

Assets exceeded liabilities and deferred inflows of resources by \$11,109,798 at the close of the most recent fiscal year. Of the Village of Lake Orion's net position, 70 percent 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 of Lake Orion 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 decreased by \$179,440 during the current fiscal year.

Village of Lake Orion's Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 1,468,544	\$ 1,256,543	\$ 3,252,869	\$ 3,294,868	\$ 4,721,413	\$ 4,551,411
Capital Assets	2,714,187	2,849,883	5,937,810	5,527,472	8,651,997	8,377,355
Total Assets	4,182,731	4,106,426	9,190,679	8,822,340	13,373,410	12,928,766
Long-term liabilities outstanding	811,374	798,405	855,480	413,843	1,666,854	1,212,248
Other liabilities	90,617	88,248	401,456	233,002	492,073	321,250
Total Liabilities	901,991	886,653	1,256,936	646,845	2,158,927	1,533,498
Deferred Inflows of Resources	104,685	106,030	-	-	104,685	106,030
Net Position:						
Net Investment in capital assets	2,637,651	2,742,821	5,088,148	5,121,399	7,725,799	7,864,220
Restricted	661,756	638,452	-	-	661,756	638,452
Unrestricted	(123,352)	(267,530)	2,845,595	3,054,096	2,722,243	2,786,566
Total Net Position	\$ 3,176,055	\$ 3,113,743	\$ 7,933,743	\$ 8,175,495	\$ 11,109,798	\$ 11,289,238

Village of Lake Orion - Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 682,509	\$ 714,137	\$ 1,302,550	\$ 1,290,762	\$ 1,985,059	\$ 2,004,899
Operating Grants & Contributions	510,655	518,696	-	-	510,655	518,696
Capital Grants & Contributions	6,695	3,300	5,555	1,420	12,250	4,720
General Revenues:						
Property Taxes	906,219	1,088,732	-	140,023	906,219	1,228,755
State Shared Revenues	244,574	238,975	-	-	244,574	238,975
Unrestricted Investment Earnings	4,826	3,282	28,165	34,758	32,991	38,040
Total Revenues	<u>2,355,478</u>	<u>2,567,122</u>	<u>1,336,270</u>	<u>1,466,963</u>	<u>3,691,748</u>	<u>4,034,085</u>
Expenses:						
General Government	584,362	583,925	-	-	584,362	583,925
Public Safety	766,054	824,797	-	-	766,054	824,797
Public Works	837,688	762,928	-	-	837,688	762,928
Community Development	64,095	43,461	-	-	64,095	43,461
Recreation and Cultural	30,527	29,290	-	-	30,527	29,290
Interest on Long-Term Debt	5,026	8,365	-	-	5,026	8,365
Loss on Disposal of Assets	5,414	-	-	-	5,414	-
Water and Sewer	-	-	1,578,022	1,553,403	1,578,022	1,553,403
Total Expenses	<u>2,293,166</u>	<u>2,252,766</u>	<u>1,578,022</u>	<u>1,553,403</u>	<u>3,871,188</u>	<u>3,806,169</u>
Change in Net Position	62,312	314,356	(241,752)	(86,440)	(179,440)	227,916
Net Position, Beginning of Year	3,113,743	2,799,387	8,175,495	8,261,935	11,289,238	11,061,322
Net Position, End of Year	<u>\$ 3,176,055</u>	<u>\$ 3,113,743</u>	<u>\$ 7,933,743</u>	<u>\$ 8,175,495</u>	<u>\$ 11,109,798</u>	<u>\$ 11,289,238</u>

Governmental activities. Governmental activities increased net position by \$62,312. Key elements of the net position increase for Governmental activities (\$ rounded to thousands) are as follows:

- Increase in state shared revenue 5,600
- Decrease in accumulated compensated absences 73,000

Business-type activities. Business-type activities decreased net position by \$241,752. This decrease is mostly due to an increase of approximately \$43,000 in sewage disposal costs through Oakland County during the year, and approximately \$140,000 of debt surcharges not collected as the 2003 General Obligation Refunding Water Bonds were paid off in fiscal year 2013.

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 of Lake Orion'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 \$1,273,242, approximately 48 percent of this total amount (\$607,507) constitutes *assigned and unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *nonspendable* (prepaid expenditures) or *restricted* to indicate that it is not available for new spending because it has already been committed 1) 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 \$210,977 for the 2013-2014 fiscal year as compared to a decrease of \$297,737 in the 2012-2013 fiscal year.

The General Fund is the chief operating fund of the Village of Lake Orion. At the end of the current fiscal year, unassigned fund balance of the general fund was \$487,878, while total fund balance was \$611,486. Unassigned fund balance represents 32 percent of total general fund expenditures including operating transfers, while total fund balance represents 40 percent of that same amount. The fund balance of the Village of Lake Orion's General Fund increased \$187,673 during the current fiscal year.

The Police Fund has a total fund balance of \$134,759, which remained unchanged from the prior year. The total General Fund operating transfers to the Police fund was \$302,505 in fiscal year 2014 as compared with \$362,500 in the prior year.

Proprietary funds. The Village of Lake Orion'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 \$2,845,595. The Water and Sewer Fund had an operating loss of \$268,899 at year end, and a total net loss of \$241,752, as compared to an operating loss of \$251,692 and total net loss of \$87,860 in the prior fiscal year. Fiscal year 2013 was the last year that the Village collected the debt surcharge (approximately \$140,000) to pay for the 2003 General Obligation Refunding Water Bond debt payments as the bonds were paid in full in 2013.

General Fund Budgetary Highlights

There was a \$33,000 increase in budgeted revenues between the original budget and the final amended budget. The adjustments were to account for a potential increase in state shared revenues (\$9,000) and property tax revenues (\$26,000). The total increase in budgeted expenditures, not including operating transfers was \$42,000, primarily from a \$17,000 increase in department of public works expenditures and \$20,000 increase in the planning and zoning department.

Capital Asset and Debt Administration

Capital assets. The Village of Lake Orion's investment in capital assets for its governmental and business type activities is \$8,651,997 (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 of Lake Orion's investment in capital assets for the current fiscal year was a 5 percent decrease for governmental activities, and a 7 percent increase in business-type activities. Business-type activities include water and sewer fund additions of improvements to the Fairview water main (\$201,480) and the Oakland-Macomb Interceptor (\$452,251).

Additional information on the Village of Lake Orion's capital assets can be found in note III.B on pages 31-32 of this report.

Long-term debt.

At the end of the current fiscal year, the Village of Lake Orion had total bond debt outstanding of \$909,662. Of this amount, \$60,000 is governmental, and \$849,662 is business-type. The Village of Lake Orion's total bond debt increased by \$428,589 during the current fiscal year as a result of the County's issuance of the Oakland-Macomb Interceptor bonds Series 2013A, with the Village's portion being \$452,251 less annual debt payments made.

At the end of the current fiscal year, the Village of Lake Orion's Component Unit (DDA) had an advance to the Water & Sewer Fund outstanding of \$840,000 to assist the DDA in financing the streetscape project.

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

Economic Factors and Future Budgets and Rates

For the 2014/2015 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 of 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 37 E. Flint Street, Lake Orion, Michigan 48362.

BASIC FINANCIAL STATEMENTS

VILLAGE OF LAKE ORION
Statement of Net Position
June 30, 2014

	Primary Government			Component Unit - DDA
	Governmental Activities	Business-type Activities	Total	
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,234,803	\$ 2,091,416	\$ 3,326,219	\$ 80,480
Receivables (net of allowance for uncollectibles)	194,149	321,453	515,602	-
Advance to Component Unit	-	840,000	840,000	-
Due from Other Governmental Units	28,285	-	28,285	-
Prepaid Expenditures	11,307	-	11,307	1,063
Capital Assets (net of accumulated depreciation)	2,714,187	5,937,810	8,651,997	3,281,534
Total Assets	4,182,731	9,190,679	13,373,410	3,363,077
<u>LIABILITIES</u>				
Accounts Payable	75,396	401,456	476,852	15,271
Accrued Liabilities	15,221	-	15,221	-
Noncurrent Liabilities:				
Other Post Employment Benefit Liability	562,543	-	562,543	-
Compensated Absences	172,295	5,818	178,113	-
Advance from Primary Government	-	-	-	840,000
Due within one year	31,536	17,011	48,547	-
Due in more than one year	45,000	832,651	877,651	-
Total Liabilities	901,991	1,256,936	2,158,927	855,271
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Taxes Levied for the following year	104,685	-	104,685	-
<u>NET POSITION</u>				
Net Investment in Capital Assets	2,637,651	5,088,148	7,725,799	2,441,534
Restricted for:				
Police	134,759	-	134,759	-
Streets	232,465	-	232,465	-
Debt Service	1,343	-	1,343	-
Capital Projects	25,725	-	25,725	-
Perpetual Care	267,464	-	267,464	-
Unrestricted	(123,352)	2,845,595	2,722,243	66,272
Total Net Position	\$ 3,176,055	\$ 7,933,743	\$ 11,109,798	\$ 2,507,806

VILLAGE OF LAKE ORION
Statement of Activities
For the Year Ended June 30, 2014

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 584,362	\$ 167,429	\$ 560	\$ -
Public Safety	766,054	127,692	328,238	-
Public Works	837,688	367,859	181,857	-
Community Development	64,095	9,930	-	6,695
Recreation and Cultural	30,527	9,599	-	-
Interest on Long-Term Debt	5,026	-	-	-
Total Governmental Activities	<u>2,287,752</u>	<u>682,509</u>	<u>510,655</u>	<u>6,695</u>
Business-type Activities:				
Water and Sewer	<u>1,578,022</u>	<u>1,302,550</u>	<u>-</u>	<u>5,555</u>
Total Primary Government	<u>\$ 3,865,774</u>	<u>\$ 1,985,059</u>	<u>\$ 510,655</u>	<u>\$ 12,250</u>
Component Unit-DDA	<u>\$ 445,229</u>	<u>\$ 48,171</u>	<u>\$ 68,650</u>	<u>\$ -</u>

General Revenues:
Property Taxes
State Shared Revenue
Unrestricted Investment Earnings
Loss on Disposal of Assets
Total General Revenues

Change in Net Position
Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit - DDA
Governmental Activities	Business-type Activities	Total	
\$ (416,373)	\$ -	\$ (416,373)	\$ -
(310,124)	-	(310,124)	-
(287,972)	-	(287,972)	-
(47,470)	-	(47,470)	-
(20,928)	-	(20,928)	-
(5,026)	-	(5,026)	-
(1,087,893)	-	(1,087,893)	-
-	(269,917)	(269,917)	-
(1,087,893)	(269,917)	(1,357,810)	-
-	-	-	(328,408)
906,219	-	906,219	458,924
244,574	-	244,574	-
4,826	28,165	32,991	308
(5,414)	-	(5,414)	(2,058)
1,150,205	28,165	1,178,370	457,174
62,312	(241,752)	(179,440)	128,766
3,113,743	8,175,495	11,289,238	2,379,040
\$ 3,176,055	\$ 7,933,743	\$ 11,109,798	\$ 2,507,806

VILLAGE OF LAKE ORION
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>Police</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 577,323	\$ 159,404	\$ 498,076	\$ 1,234,803
Receivables (net of allowance for uncollectibles)	79,733	113,056	1,360	194,149
Due from State	-	-	28,285	28,285
Prepaid Expenditures	3,979	7,328	-	11,307
Total Assets	\$ 661,035	\$ 279,788	\$ 527,721	\$ 1,468,544
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</u>				
Liabilities:				
Accounts Payable	\$ 42,821	\$ 31,851	\$ 724	\$ 75,396
Accrued and Other Liabilities	6,728	8,493	-	15,221
Total Liabilities	49,549	40,344	724	90,617
Deferred Inflows of Resources:				
Taxes Levied for the following year	-	104,685	-	104,685
Fund Balances:				
Nonspendable-Prepays	3,979	-	-	3,979
Restricted for:				
Police	-	134,759	-	134,759
Streets	-	-	232,465	232,465
Debt Service	-	-	1,343	1,343
Capital Projects	-	-	25,725	25,725
Perpetual Care	-	-	267,464	267,464
Assigned for Public Works	119,629	-	-	119,629
Unassigned	487,878	-	-	487,878
Total Fund Balance	611,486	134,759	526,997	1,273,242
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 661,035	\$ 279,788	\$ 527,721	

Amounts reported for governmental activities in the statement of net position are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,714,187
Other Post Employment Benefit Liability	(562,543)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(248,831)
Net Position of Governmental Activities	\$ 3,176,055

VILLAGE OF LAKE ORION
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2014

	<u>General</u>	<u>Police</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
Property Taxes	\$ 906,219	\$ -	\$ -	\$ 906,219
Intergovernmental:				
Federal, State and Local	251,269	328,238	181,857	761,364
Charges for Services	366,683	61,144	16,090	443,917
Fines and Forfeitures	-	55,716	-	55,716
Interest	3,005	110	1,711	4,826
Other	167,989	10,832	4,615	183,436
Total Revenues	<u>1,695,165</u>	<u>456,040</u>	<u>204,273</u>	<u>2,355,478</u>
 <u>Expenditures</u>				
Current:				
General Government	486,153	-	-	486,153
Public Safety	-	740,934	-	740,934
Public Works	571,456	-	142,362	713,818
Community Development	64,095	-	-	64,095
Recreation and Cultural	23,084	-	-	23,084
Other Functions	60,430	-	-	60,430
Debt Service:				
Principal	-	15,526	15,000	30,526
Interest and Other Charges	-	2,085	2,941	5,026
Capital Outlay	-	-	20,435	20,435
Total Expenditures	<u>1,205,218</u>	<u>758,545</u>	<u>180,738</u>	<u>2,144,501</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>489,947</u>	<u>(302,505)</u>	<u>23,535</u>	<u>210,977</u>
 <u>Other Financing Sources (Uses)</u>				
Transfers In	11,751	302,505	55,270	369,526
Transfers Out	<u>(314,025)</u>	<u>-</u>	<u>(55,501)</u>	<u>(369,526)</u>
Total Other Financing Sources (Uses)	<u>(302,274)</u>	<u>302,505</u>	<u>(231)</u>	<u>-</u>
Net Change in Fund Balance	187,673	-	23,304	210,977
Fund Balance - Beginning	<u>423,813</u>	<u>134,759</u>	<u>503,693</u>	<u>1,062,265</u>
Fund Balance - Ending	<u>\$ 611,486</u>	<u>\$ 134,759</u>	<u>\$ 526,997</u>	<u>\$ 1,273,242</u>

VILLAGE OF LAKE ORION
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2014

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds	\$	210,977
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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 is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay		20,435
Capital Outlay under threshold		(9,668)
Depreciation Expense		(141,049)
Loss on Disposal of Assets		(5,414)

Change in Other Post Employment Benefit Liability		(116,315)
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The issuance of long-term debt (e.g. bonds, leases) 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. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal Repayments		30,526
Decrease in Compensated Absences		<u>72,820</u>

Change in net position in governmental activities	\$	<u><u>62,312</u></u>
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VILLAGE OF LAKE ORION

Balance Sheet
Proprietary Fund
June 30, 2014

	<u>Enterprise Fund</u> <u>Water & Sewer</u>
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 2,091,416
Accounts Receivable	321,453
Total Current Assets	<u>2,412,869</u>
Advance to Component Unit	<u>840,000</u>
Property, Plant and Equipment	12,282,340
Less: Accumulated Depreciation	<u>(6,344,530)</u>
Net Property, Plant and Equipment	<u>5,937,810</u>
Total Assets	\$ <u><u>9,190,679</u></u>
<u>LIABILITIES AND NET POSITION</u>	
Current Liabilities:	
Accounts Payable	\$ 401,456
Compensated Absences Payable	586
County Bonds Payable	17,011
Total Current Liabilities	<u>419,053</u>
Long-Term Liabilities:	
Compensated Absences Payable	5,232
County Bonds Payable	<u>832,651</u>
Total Long-Term Liabilities	<u>837,883</u>
Total Liabilities	<u>1,256,936</u>
Net Position:	
Net Investment in Capital Assets	5,088,148
Unrestricted	<u>2,845,595</u>
Total Net Position	<u>7,933,743</u>
Total Liabilities and Net Position	\$ <u><u>9,190,679</u></u>

VILLAGE OF LAKE ORION
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2014

		<u>Enterprise Fund</u> <u>Water & Sewer</u>
<u>Operating Revenues:</u>		
Charges for Services	\$	1,282,285
Penalty Charges		18,790
Miscellaneous		1,475
Total Operating Revenues		<u>1,302,550</u>
<u>Operating Expenses:</u>		
Salaries and Fringe Benefits		64,832
Water Purchases		430,963
Sewage Treatment		629,075
General and Administrative		102,372
Supplies		22,060
Contract Services		19,092
Equipment Repairs & Rentals		59,662
Depreciation and Amortization		243,393
Total Operating Expenses		<u>1,571,449</u>
Operating Income (Loss)		<u>(268,899)</u>
<u>Non-Operating Revenues (Expenses):</u>		
Interest Earned		28,165
Interest Expense and Related Fees		(6,573)
Total Non-Operating Revenues (Expenses)		<u>21,592</u>
Income before Contributions and Transfers		(247,307)
Capital Contributions - Tap Fees		<u>5,555</u>
Net Income (Loss)		(241,752)
Net Position, Beginning		<u>8,175,495</u>
Net Position, Ending	\$	<u>7,933,743</u>

VILLAGE OF LAKE ORION
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2014

	Enterprise Fund
	Water & Sewer
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from customers and users	\$ 1,427,940
Payments to Suppliers	(1,071,088)
Payments to Employees	(66,784)
Net Cash Provided by Operating Activities	290,068
<u>CASH FLOWS FROM NONCAPITAL FINANCING</u>	
<u>ACTIVITIES</u>	
Property Taxes Levied	-
<u>CASH FLOWS FROM CAPITAL AND RELATED</u>	
<u>FINANCING ACTIVITIES</u>	
Capital Contributions	5,555
Construction of Capital Assets	(653,731)
Proceeds from County Bond Debt	452,251
Principal Paid on Capital Debt	(8,662)
Interest Paid on Capital Debt	(6,573)
Net Cash Provided (Used) by Capital and Related Financing Activities	(211,160)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Earned	28,165
Net Cash Provided (Used) by Investing Activities	28,165
Net Increase (Decrease) in Cash and Cash Equivalents	107,073
Cash and Cash Equivalents, Beginning	1,984,343
Cash and Cash Equivalents, Ending	\$ 2,091,416
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided (Used) by Operating Activities:</u>	
Operating Income (Loss)	\$ (268,899)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization Expense	243,393
(Increase) Decrease in Receivables	15,365
(Increase) Decrease in Inventory	13,707
(Increase) Decrease in Advance to Component Unit	120,000
Increase (Decrease) in Accounts Payable	178,429
Increase (Decrease) in Compensated Absences Payable	(1,952)
Increase (Decrease) in Unearned Revenue	(9,975)
Net Cash Provided by Operating Activities	\$ 290,068

VILLAGE OF LAKE ORION
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Employee Retirement Plan	Agency Fund
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 100	\$ 117,646
Investments, at fair value:		
Mutual Funds	61,757	-
Total Assets	<u>61,857</u>	<u>117,646</u>
<u>LIABILITIES</u>		
Due to Other	<u>-</u>	<u>117,646</u>
<u>NET POSITION</u>		
Held in Trust for Retirement Benefits	<u>\$ 61,857</u>	<u>\$ -</u>

VILLAGE OF LAKE ORION
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Employee Retirement Plan
Additions:	
Contributions:	
Employer	\$ 10,000
Investment Earnings:	
Net increase(decrease) in fair value of investments	<u>7,307</u>
Total Additions	<u>17,307</u>
Change in Net Position	17,307
Net Position - Beginning of Year	<u>44,550</u>
Net Position - End of Year	<u>\$ 61,857</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Village of Lake Orion, Michigan, 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 2,700 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 of Lake Orion 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

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.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) 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.

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Government-Wide and Fund Financial Statements – Continued

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.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund 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.

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.

Governmental Funds

The Village reports the following major governmental funds:

The 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.

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

In addition, the Village reports on the following fund types:

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

The debt service funds account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The 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 funds are 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.

Proprietary Funds

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.

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.

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, which accumulates resources for future retiree health care payments.

The 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.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

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.

Estimates

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

D. Assets, Liabilities and Net Position or Equity

1. 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.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position or Equity – Continued

2. 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- at June 30, 2014.

3. Capital Assets

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

<u>Assets</u>	<u>Years</u>
Land Improvements	10-50
Buildings	40
Street and Road Improvements	50
Water & Sewer Lines	50
Equipment	5-10
Vehicles	5-10

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position or Equity – Continued

4. 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.

5. 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 statement 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, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position or Equity – Continued

6. Fund Equity

In the fund financial statements, governmental funds report the following components of fund balance:

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

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

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

Assigned – Intent to spend resources on specific purposes expressed by the Village Council.

Unassigned – This is the residual classification for the general fund. This classification represents fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Village is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

- a. Budgets must be adopted for the General and Special Revenue Funds.
- b. Budgets must be balanced.
- c. Budgets must be amended as necessary.
- d. Public hearings must be held prior to adoption.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget appropriation prior to being incurred.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2014

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

A. Budgetary Information – Continued

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

1. The Village Charter requires two regular council meetings per month. By the second 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 second meeting in May.
3. On or before June 15, the tax rate must be set and the budget is legally enacted through 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. Budget appropriations lapse at year end.
6. The Village Council may authorize supplemental appropriations (budget amendments) during the year. In 2014, several budget amendments were made and are reflected in the financial statements.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

None of the funds have a deficit fund balance as of June 30, 2014.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The budgets for the General and Special Revenue Funds are adopted at the activity level. There were no expenditures in excess of budget appropriations as of June 30, 2014.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2014

III. DETAILED NOTES ON ALL FUNDS

A. 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 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, 2014, the Village's book balance of its deposits was \$3,443,490; the total book balance was \$3,443,965, due to \$475 in cash on hand. The bank balance was \$3,499,019 which was exposed to custodial credit risk, as follows:

	<u>Bank</u>
	<u>Balance</u>
Insured by F.D.I.C.	\$1,537,772
Uninsured and Uncollateralized	<u>1,961,247</u>
Total	<u>\$3,499,019</u>

A reconciliation of cash for the primary government follows:

Cash and Cash Equivalents per:	
Statement of Net Position	\$3,326,219
Statement of Fiduciary Net Position	<u>117,746</u>
Total	<u>\$3,443,965</u>

At June 30, 2014, the carrying amount and bank balances of the component units of the Village of Lake Orion are as follows:

	<u>Carrying</u>	<u>Bank</u>	<u>FDIC</u>
	<u>Amount</u>	<u>Balance</u>	<u>Insured</u>
Downtown Development Authority	<u>\$ 80,480</u>	<u>\$ 80,480</u>	<u>\$ 80,480</u>

Credit Risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Village has no investment policy that would further limit its investment choices.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Interest Rate Risk. 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 interest rates. The Villages deposits and investments, including the Downtown Development Authority, consisted of the following:

<u>Deposits and Investments</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Primary Government:		
Savings and Checking Accounts	\$ 1,834,303	Demand
Pooled Investments(Share price=\$1)	464,716	Demand
Certificates of Deposits- Less than one year	500,000	360 days
Certificates of Deposits- More than one year	<u>700,000</u>	605 days
	<u>\$ 3,499,019</u>	
Trust Funds:		
Mutual Funds – Bonds	\$20,942	N/A
Mutual Funds – Equity	<u>40,815</u>	N/A
	<u>\$ 61,757</u>	

Concentration of Credit Risk. The Village's investment policy places no limit on the amount the Village may invest in any one issuer.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$ 498,484	\$ -	\$ -	\$ 498,484
Capital Assets, being depreciated:				
Land Improvements	405,875	1,000	-	406,875
Street and Road Improvements	2,371,147	-	-	2,371,147
Building and Improvements	897,891	4,666	-	902,557
Machinery and Equipment	449,771	-	(5,414)	444,357
Vehicles	551,171	5,101	-	556,272
	<u>4,675,855</u>	<u>10,767</u>	<u>(5,414)</u>	<u>4,681,208</u>
Less: Accumulated Depreciation:				
Land Improvements	(248,245)	(26,620)	-	(274,865)
Street and Road Improvements	(580,801)	(47,423)	-	(628,224)
Building and Improvements	(692,405)	(22,046)	-	(714,451)
Machinery and Equipment	(412,496)	(10,274)	-	(422,770)
Vehicles	(390,509)	(34,686)	-	(425,195)
	<u>(2,324,456)</u>	<u>(141,049)</u>	<u>-</u>	<u>(2,465,505)</u>
Governmental Activities Capital Assets, net	<u>\$ 2,849,883</u>	<u>\$ (130,282)</u>	<u>\$ (5,414)</u>	<u>\$ 2,714,187</u>

Depreciation expense was charged on the Statement of Activities as follows:

General Government	\$ 38,432
Public Safety	23,286
Public Works	71,888
Recreation and Cultural	7,443
	<u>\$ 141,049</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets – Continued

<u>Business-type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, being depreciated:				
Water and Sewer Mains	\$ 10,520,908	\$ 653,731	\$ -	\$ 11,174,639
Equipment	206,988	-	-	206,988
Intangible Assets-Water Lines	900,713	-	-	900,713
	<u>11,628,609</u>	<u>653,731</u>	<u>-</u>	<u>12,282,340</u>
Less: Accumulated Depreciation:				
Water and Sewer Mains	(5,488,058)	(218,345)	-	(5,706,403)
Equipment	(185,239)	(2,530)	-	(187,769)
Intangible Assets-Water Lines	(427,840)	(22,518)	-	(450,358)
	<u>(6,101,137)</u>	<u>(243,393)</u>	<u>-</u>	<u>(6,344,530)</u>
Business-type Activities Capital Assets, net	<u>\$ 5,527,472</u>	<u>\$ 410,338</u>	<u>\$ -</u>	<u>\$ 5,937,810</u>

<u>Component Unit-DDA:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, being depreciated:				
Land Improvements	\$ 566,803	\$ 186,619	\$ -	\$ 753,422
Street and Road Improvements	3,047,010	-	-	3,047,010
Building and Improvements	499,000	-	-	499,000
Equipment	16,602	-	(5,330)	11,272
	<u>4,129,415</u>	<u>186,619</u>	<u>(5,330)</u>	<u>4,310,704</u>
Less: Accumulated Depreciation:				
Land Improvements	(443,187)	(20,393)	-	(463,580)
Street and Road Improvements	(388,569)	(72,650)	-	(461,219)
Building and Improvements	(81,088)	(12,475)	-	(93,563)
Equipment	(13,638)	(442)	3,272	(10,808)
	<u>(926,482)</u>	<u>(105,960)</u>	<u>3,272</u>	<u>(1,029,170)</u>
Component Unit Capital Assets, net	<u>\$ 3,202,933</u>	<u>\$ 80,659</u>	<u>\$ (2,058)</u>	<u>\$ 3,281,534</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers

The composition of interfund transfers as of June 30, 2014, is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Police Fund	General Fund	\$ 302,505
Capital Improvement Fund	General Fund	11,520
General Fund	Cemetery Trust	11,212
Local Street Fund	Major Street Fund	25,000
1998 GO Bond Debt	General Fund	539
North Shore Bridge Debt	Local Street Fund	18,750
		<u>\$ 369,526</u>

Transfers represent the following:

Local Street Fund transferred to debt fund to make annual debt service payments. 1998 GO Debt Fund is a residual equity transfer.

All other transfers are operating transfers to fund operations and capital projects in the current year.

D. Long-Term Debt

The following is a summary of long-term debt transactions of the Village for the year ended June 30, 2014:

	<u>Balance July 1, 2013</u>	<u>Add: Additional Debt Incurred</u>	<u>Less: Retirements and Payments on Debt</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Governmental Activities:					
MTF Bonds	\$ 75,000	\$ -	\$ 15,000	\$ 60,000	\$ 15,000
Installment Purchase	32,062	-	15,526	16,536	16,536
Compensated Absences	245,115	-	72,820	172,295	-
Total Governmental Activities	<u>352,177</u>	<u>-</u>	<u>103,346</u>	<u>248,831</u>	<u>31,536</u>
Business-type Activities:					
County Interceptor Bonds	406,073	452,251	8,662	849,662	17,011
Compensated Absences	7,770	-	1,952	5,818	-
Total Business-type Activities	<u>413,843</u>	<u>452,251</u>	<u>10,614</u>	<u>855,480</u>	<u>17,011</u>
Total	<u>\$ 766,020</u>	<u>\$ 452,251</u>	<u>\$ 113,960</u>	<u>\$1,104,311</u>	<u>\$ 48,547</u>
Component Unit - DDA:					
Long Term Advance	<u>\$ 960,000</u>	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ 840,000</u>	<u>\$ -</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt – Continued

The following is a summary of general obligation debt outstanding (excluding compensated absences) of the Village as of June 30, 2014:

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Governmental Activities:				
MTF Bonds	1	5.00%	2017	\$ 60,000
Installment Purchase	1	6.50%	2014	16,536
				<u>\$ 76,536</u>
Business-type Activities:				
County Interceptor Bonds	4	2.00-5.90%	2035	<u>\$ 849,662</u>
Component Unit-DDA:				
Long Term Advance	1	2.00%	2020	<u>\$ 840,000</u>

In July 2010, the Oakland-Macomb Interceptor Drain Drainage Board assessed the Village of Lake Orion, along with other communities within the drainage district, for the maintenance and rehabilitation of the Oakland-Macomb Interceptor Drain, under the provisions of the Michigan Drain Code, Public Act 40 of 1956, Section 526. Bonds were issued in the amount of \$26,076,000, Series 2010A, maturing in 2031 with an interest rate of 2.50%, \$6,731,484.20, 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%, and \$65,140,000, Series 2013A, maturing in 2034 with an interest rate of 2.00%. The Village of Lake Orion's portion of .6612% of the total debt is \$849,662.

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/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 two percent from the date of transfer until full repayment. Repayment will be made in 10 annual installments commencing October 1, 2011 through 2020.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt – Continued

The annual debt service requirements to maturity for general obligation debt outstanding as of June 30, 2014 are as follows:

<u>Year Ended</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 31,536	\$ 3,000	\$ 17,011	\$ 19,936
2016	15,000	2,250	36,085	19,306
2017	15,000	1,500	36,934	18,469
2018	15,000	750	37,750	17,609
2019	-	-	38,674	16,721
2020-2024	-	-	207,679	69,277
2025-2029	-	-	234,071	42,664
2030-2034	-	-	214,346	14,144
2035	-	-	27,112	271
	<u>\$ 76,536</u>	<u>\$ 7,500</u>	<u>\$ 849,662</u>	<u>\$ 218,397</u>

<u>Year Ended</u>	<u>Component Unit - DDA</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 120,000	\$ 16,800
2016	120,000	14,400
2017	120,000	12,000
2018	120,000	9,600
2019	120,000	7,200
2020-2021	240,000	7,200
	<u>\$ 840,000</u>	<u>\$ 67,200</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2014

III. DETAILED NOTES ON ALL FUNDS – Continued

E. Property Taxes

Property tax assessments are determined (Tax Day) 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 bills and collects its own property taxes which are accounted for in the General Fund and Downtown Development Authority Fund. Village property tax revenues are recognized in the current year as revenue in accordance with guidelines of the State of Michigan.

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 2013 tax roll:

<u>Purpose</u>	<u>Authorization</u>	<u>Authorized</u>	<u>Per \$1,000 of State</u> <u>Equalized Value</u>		
		<u>Rate</u>	<u>Authorized</u>	<u>Rate</u>	<u>Tax</u>
		<u>Rate</u>	<u>“Roll Back”</u>	<u>Levied</u>	<u>Margin</u>
Operating	State Law	20.00	12.0923	10.1091	1.9832

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 1, 2013 Township tax levy is paid by residents through February 2014. The Township remits its payment to the Village through June 2014, which will be used to replace the July 1, 2014 tax levy.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2014

IV. OTHER INFORMATION

A. Employee Retirement Systems and Plans

1. Municipal Employees Retirement System Defined Benefit Plan

a. Plan Description

The Village contributes to the Michigan Municipal Employees' Retirement System (MMERS), which is an agent multiple employer retirement system that covers substantially all full time employees of the Village. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by a certain percentage based on the benefit program in effect as of the date of termination of membership times the final average compensation (FAC). The most recent period for which actuarial data was available was for the actuarial valuation as of December 31, 2013.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of the State of Michigan (MSA 5.333(a); MCLA 46.12(a)). MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Council. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

b. Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Village's collective bargaining units and personnel policy. The Village is required to contribute at an actuarially determined rate; the current rate was a percentage of annual compensation at December 31, 2011. As of July 1, 2012, the Village closed all defined benefit groups to new members, so the Village now contributes a monthly flat rate for General – Union, General Non-Union, and Police, totaling \$9,418 per month.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2014

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

c. Annual Pension Cost

During the fiscal year ended June 30, 2014, the Village's contributions totaling \$113,016 along with \$16,679 of employee contributions were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2011. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information

<u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u>	<u>Valuation</u> <u>Date</u> <u>Dec. 31</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2012	2009	\$ 89,448	100%	\$-0-
2013	2010	102,960	100%	-0-
2014	2011	113,016	100%	-0-

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2014

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

2. Defined Contribution Pension Plan

Effective for all employees hired after November 1, 2008, the Village has established a defined contribution pension plan with the Michigan Municipal Employees' Retirement System (MERS). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The Village contributes 7% of the employees' gross earnings, and the employees are required to contribute 5%. Employer contributions become vested 25% at 3 years, 50% at 5 years, and 100% at 6 years of service. The Village's contribution for the current year was \$18,888.

As established by contract approved by the Village Council, the Village contributes to a deferred compensation plan administered by I.C.M.A. for the Village Manager. Voluntary contributions made by participants and employer contributions vest immediately as provided by the plan. The Village contributes an amount equal to 9% of the employee's gross earnings. During the current fiscal year the Village's contributions amounted to \$5,798.

3. Post Retirement Health Care Benefits

Plan Description – The Village provides health care benefits to eight retirees in accordance with their respective labor contracts. The Village includes these retirees and their dependents in its insured health care plan, with four having no contribution required by the participants and four that have 25% contribution requirements. Expenditures for post employment health care benefits are recognized as the insurance premiums become due. During the year, this amounted to \$86,786, 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, this may be financed on a "pay-as-you-go" basis).

Funding Progress – For the year ended June 30, 2014, the Village has estimated the cost of providing retiree healthcare benefits through an actuarial study that complies with the requirements of GASB 45. The study computes an annual required contribution that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2014

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

3. Post Retirement Health Care Benefits – Continued

The computed contribution and actual funding are summarized as follows:

Annual Required Contribution (recommended)	\$ 201,897
Interest on the prior year's net OPEB obligation	11,204
Less adjustment to the annual required contribution	<u>-</u>
Annual OPEB Cost	213,101

Amounts Contributed:

Payments of current premiums	(86,786)
Advance funding	<u>(10,000)</u>
Increase(Decrease) in net OPEB obligation	116,315
OPEB obligation - Beginning of Year	<u>446,228</u>
OPEB obligation - End of Year	<u>\$ 562,543</u>

The funding progress of the plan as of the most recent valuation date is as follows:

Valuation as of June 30, 2012:

Actuarial Value of Assets	\$ 139,944
Actuarial Accrued Liability (AAL)	2,916,357
Unfunded AAL (UAAL)	2,776,413
Funded Ratio	4.80%
Ratio of UAAL to covered payroll	Not available

<u>Fiscal Year</u> <u>Ended</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Annual</u> <u>OPEB Costs</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2012	7/1/2009	\$ 222,431	55%	\$ 322,480
6/30/2013	6/30/2012	\$ 222,431	56%	\$ 446,228
6/30/2014	6/30/2012	\$ 213,101	45%	\$ 562,543

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2014

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

3. Post Retirement Health Care Benefits – Continued

Actuarial Methods and Assumptions – 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, 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. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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.

In the July 1, 2009 calculation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return. The unfunded actuarial accrued liabilities were amortized as a level percent of active member payroll over a period of 30 years.

B. Risk Management

The Village of Lake Orion 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, or 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 of Lake Orion 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, 2014

IV. OTHER INFORMATION – Continued

C. 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.

D. Upcoming Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued two new pronouncements in June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans*, which amends GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans*, which amends GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and GASB Statement No. 50, *Pension Disclosures*. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and measuring and recognizing liabilities and expenses. GASB No. 68 will require employers with defined benefit pension plans to recognize their unfunded pension benefit obligation as a liability on the government-wide and proprietary financial statements. These new standards will result in additional disclosures and required supplemental information, and will be effective beginning with the Village's fiscal year ended June 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF LAKE ORION
Required Supplementary Information – (Unaudited)
Defined Benefit Pension Plans – Trend Information
For the Year Ended June 30, 2014

Required Supplementary Information for GASB 27

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/01	\$2,987,853	\$3,293,592	\$ 305,739	91%	\$611,424	50%
12/31/02	2,897,735	3,531,780	634,045	82	711,796	89
12/31/03	2,917,657	3,635,754	718,097	80	745,628	96
12/31/04	2,942,036	3,697,534	755,498	80	709,702	106
12/31/05	2,976,858	3,828,505	851,647	78	797,523	107
12/31/06	3,073,182	3,889,352	816,170	79	826,567	99
12/31/07	3,207,644	3,931,902	754,258	81	905,082	83
12/31/08	3,249,279	3,946,549	697,270	82	834,509	84
12/31/09	3,079,721	3,943,132	863,411	78	659,155	131
12/31/10	3,051,725	4,040,684	988,959	76	667,434	148
12/31/11	3,035,939	4,153,987	1,118,048	73	666,239	168
12/31/12	2,978,121	4,090,224	1,112,103	73	489,211	227
12/31/13	2,945,377	4,183,027	1,237,650	70	378,751	327

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2013 the latest actual valuation, follows:

Actuarial cost method	Entry age normal cost
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	
Includes inflation at 2.0%	4.5 - 12.9%
Cost of living adjustments	None

VILLAGE OF LAKE ORION
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Property Taxes	\$ 849,781	\$ 876,038	\$ 876,036	\$ (2)
Penalties and Interest	11,220	2,862	2,861	(1)
In Lieu of Taxes	27,154	27,322	27,322	-
Intergovernmental - Federal/CDBG	7,088	13,364	6,695	(6,669)
Intergovernmental - State	226,500	235,638	244,574	8,936
Charges for Services	327,200	328,200	366,683	38,483
Interest Earnings	-	2,050	3,005	955
Administration Fees	152,700	152,700	152,700	-
Other Revenues	17,225	13,771	15,289	1,518
Total Revenues	<u>1,618,868</u>	<u>1,651,945</u>	<u>1,695,165</u>	<u>43,220</u>
<u>Expenditures:</u>				
General Government:				
Village Council	4,038	4,038	3,819	219
Village Manager	91,271	93,887	91,712	2,175
Clerk	82,074	83,019	76,406	6,613
Treasurer	65,808	66,070	66,067	3
Municipal Building	223,086	220,146	208,752	11,394
Data Processing	6,301	6,301	6,259	42
Professional Services	43,665	33,163	33,138	25
	<u>516,243</u>	<u>506,624</u>	<u>486,153</u>	<u>20,471</u>
Public Works:				
Public Works	438,657	455,917	374,124	81,793
Sanitation	159,000	158,700	158,700	-
Street Lighting	31,403	38,700	38,632	68
	<u>629,060</u>	<u>653,317</u>	<u>571,456</u>	<u>81,861</u>
Community and Economic Development:				
Community Development Block Grant	7,088	13,364	3,655	9,709
Planning and Zoning	40,092	60,775	60,440	335
	<u>47,180</u>	<u>74,139</u>	<u>64,095</u>	<u>10,044</u>
Recreation and Cultural:				
Parks and Recreation	25,029	25,029	23,084	1,945
Other Functions:				
Insurance	61,000	61,000	60,430	570
Total Expenditures	<u>1,278,512</u>	<u>1,320,109</u>	<u>1,205,218</u>	<u>114,891</u>
Excess of Revenues Over Expenditures	<u>340,356</u>	<u>331,836</u>	<u>489,947</u>	<u>158,111</u>
Other Financing Sources(Uses):				
Operating Transfers In	24,805	33,365	11,751	(21,614)
Operating Transfers Out	(354,914)	(332,050)	(314,025)	18,025
	<u>(330,109)</u>	<u>(298,685)</u>	<u>(302,274)</u>	<u>(3,589)</u>
Net Change in Fund Balance	10,247	33,151	187,673	154,522
Fund Balance - July 1	<u>423,813</u>	<u>423,813</u>	<u>423,813</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 434,060</u>	<u>\$ 456,964</u>	<u>\$ 611,486</u>	<u>\$ 154,522</u>

VILLAGE OF LAKE ORION
Police Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Intergovernmental-State	\$ 4,200	\$ 4,200	\$ 4,956	\$ 756
Intergovernmental-Local	324,213	324,213	323,282	(931)
Charges for Services	91,800	91,800	61,144	(30,656)
Fines and Forfeitures	60,000	60,000	55,716	(4,284)
Interest	-	-	110	110
Other	10,000	10,000	10,832	832
Total Revenues	<u>490,213</u>	<u>490,213</u>	<u>456,040</u>	<u>(34,173)</u>
<u>Expenditures:</u>				
Wages and Benefits	662,785	633,351	592,178	41,173
Other	114,066	143,500	148,756	(5,256)
Debt Service	19,000	19,000	17,611	1,389
Total Expenditures	<u>795,851</u>	<u>795,851</u>	<u>758,545</u>	<u>37,306</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(305,638)</u>	<u>(305,638)</u>	<u>(302,505)</u>	<u>3,133</u>
<u>Other Financing Sources:</u>				
Transfers In	345,394	320,530	302,505	(18,025)
	<u>345,394</u>	<u>320,530</u>	<u>302,505</u>	<u>(18,025)</u>
Net Change in Fund Balance	39,756	14,892	-	(14,892)
Fund Balance, July 1	<u>134,759</u>	<u>134,759</u>	<u>134,759</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 174,515</u>	<u>\$ 149,651</u>	<u>\$ 134,759</u>	<u>\$ (14,892)</u>

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF LAKE ORION
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project Capital Improvement</u>	<u>Permanent Fund Cemetery</u>	<u>Total</u>
<u>ASSETS</u>					
Cash	\$ 204,876	\$ 1,343	\$ 25,753	\$ 266,104	\$ 498,076
Accounts Receivable	-	-	-	1,360	1,360
Due from State	<u>28,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,285</u>
Total Assets	<u>\$ 233,161</u>	<u>\$ 1,343</u>	<u>\$ 25,753</u>	<u>\$ 267,464</u>	<u>\$ 527,721</u>
 <u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts Payable	\$ <u>696</u>	\$ <u>-</u>	\$ <u>28</u>	\$ <u>-</u>	\$ <u>724</u>
Fund Balance:					
Restricted for Streets	232,465	-	-	-	232,465
Restricted for Debt Service	-	1,343	-	-	1,343
Restricted for Capital Projects	-	-	25,725	-	25,725
Restricted for Perpetual Care	<u>-</u>	<u>-</u>	<u>-</u>	<u>267,464</u>	<u>267,464</u>
Total Fund Balance	<u>232,465</u>	<u>1,343</u>	<u>25,725</u>	<u>267,464</u>	<u>526,997</u>
Total Liabilities and Fund Balance	<u>\$ 233,161</u>	<u>\$ 1,343</u>	<u>\$ 25,753</u>	<u>\$ 267,464</u>	<u>\$ 527,721</u>

VILLAGE OF LAKE ORION
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project Capital Improvement</u>	<u>Permanent Fund Cemetery</u>	<u>Total</u>
<u>Revenues:</u>					
State-Shared Revenue	\$ 181,857	\$ -	\$ -	\$ -	\$ 181,857
Charges for Services	-	-	-	16,090	16,090
Interest Earned	619	1	88	1,003	1,711
Other Revenues	4,615	-	-	-	4,615
Total Revenues	<u>187,091</u>	<u>1</u>	<u>88</u>	<u>17,093</u>	<u>204,273</u>
<u>Expenditures:</u>					
Highways, Streets, Sidewalks and Other Maintenance	142,362	-	-	-	142,362
Debt Service:					
Principal	-	15,000	-	-	15,000
Interest and Other Charges	-	2,941	-	-	2,941
Capital Outlay	-	-	20,435	-	20,435
Total Expenditures	<u>142,362</u>	<u>17,941</u>	<u>20,435</u>	<u>-</u>	<u>180,738</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>44,729</u>	<u>(17,940)</u>	<u>(20,347)</u>	<u>17,093</u>	<u>23,535</u>
Other Financing Sources (Uses):					
Operating Transfers In	25,000	18,750	11,520	-	55,270
Operating Transfers Out	(43,750)	(539)	-	(11,212)	(55,501)
Total Other Financing Sources (Uses)	<u>(18,750)</u>	<u>18,211</u>	<u>11,520</u>	<u>(11,212)</u>	<u>(231)</u>
Change in Fund Balance	25,979	271	(8,827)	5,881	23,304
Fund Balance - July 1	<u>206,486</u>	<u>1,072</u>	<u>34,552</u>	<u>261,583</u>	<u>503,693</u>
Fund Balance - June 30	<u>\$ 232,465</u>	<u>\$ 1,343</u>	<u>\$ 25,725</u>	<u>\$ 267,464</u>	<u>\$ 526,997</u>

VILLAGE OF LAKE ORION
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2014

	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 99,919	\$ 104,957	\$ 204,876
Due from State	<u>19,672</u>	<u>8,613</u>	<u>28,285</u>
Total Assets	\$ <u><u>119,591</u></u>	\$ <u><u>113,570</u></u>	\$ <u><u>233,161</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts Payable	\$ 696	\$ -	\$ 696
Fund Balance:			
Restricted for Streets	<u>118,895</u>	<u>113,570</u>	<u>232,465</u>
Total Liabilities and Fund Balance	\$ <u><u>119,591</u></u>	\$ <u><u>113,570</u></u>	\$ <u><u>233,161</u></u>

VILLAGE OF LAKE ORION
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2014

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Total</u>
<u>Revenues:</u>			
State-Shared Revenue	\$ 119,531	\$ 62,326	\$ 181,857
Interest Earned	318	301	619
Other Revenues	-	4,615	4,615
Total Revenues	<u>119,849</u>	<u>67,242</u>	<u>187,091</u>
<u>Expenditures:</u>			
Highways, Streets, Sidewalks and Other Maintenance	<u>88,336</u>	<u>54,026</u>	<u>142,362</u>
Total Expenditures	<u>88,336</u>	<u>54,026</u>	<u>142,362</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>31,513</u>	<u>13,216</u>	<u>44,729</u>
Other Financing Sources (Uses):			
Operating Transfers In	-	25,000	25,000
Operating Transfers Out	<u>(25,000)</u>	<u>(18,750)</u>	<u>(43,750)</u>
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>6,250</u>	<u>(18,750)</u>
Change in Fund Balance	6,513	19,466	25,979
Fund Balance - July 1	<u>112,382</u>	<u>94,104</u>	<u>206,486</u>
Fund Balance - June 30	<u>\$ 118,895</u>	<u>\$ 113,570</u>	<u>\$ 232,465</u>

VILLAGE OF LAKE ORION
Nonmajor Debt Service Funds
Combining Balance Sheet
June 30, 2014

	<u>1998</u> <u>G.O. Bonds</u>	<u>North Shore</u> <u>Bridge</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ -	\$ 1,343	\$ 1,343
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities	\$ -	\$ -	\$ -
Fund Balance:			
Restricted for Debt Service	-	1,343	1,343
Total Liabilities and Fund Balance	\$ -	\$ 1,343	\$ 1,343

VILLAGE OF LAKE ORION
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2014

	<u>1998</u> <u>G.O. Bonds</u>	<u>North Shore</u> <u>Bridge</u>	<u>Total</u>
<u>Revenues:</u>			
Interest Income	\$ -	\$ 1	\$ 1
Total Revenues	-	1	1
<u>Expenditures:</u>			
Principal	-	15,000	15,000
Interest and Other Charges	-	2,941	2,941
Total Expenditures	-	17,941	17,941
Excess (Deficiency) of Revenues Over Expenditures	-	(17,940)	(17,940)
<u>Other Financing Sources (Uses):</u>			
Operating Transfer In	-	18,750	18,750
Operating Transfer Out	(539)	-	(539)
	(539)	18,750	18,211
Change in Fund Balance	(539)	810	271
Fund Balance - July 1	539	533	1,072
Fund Balance - June 30	\$ -	\$ 1,343	\$ 1,343

VILLAGE OF LAKE ORION
Combined Balance Sheet
Component Unit - DDA
June 30, 2014

	Downtown Development Authority	DDA Property Acquisition Fund		Total
<u>Assets</u>				
Cash	\$ 79,885	\$ 595	\$	80,480
Prepaid Expenditures	1,063	-		1,063
Total Assets	\$ 80,948	\$ 595	\$	81,543

Liabilities and Fund Balance

Liabilities:				
Accounts Payable	\$ 15,271	\$ -	\$	15,271
Fund Balance	65,677	595		66,272
Total Liabilities and Fund Balance	\$ 80,948	\$ 595	\$	81,543

Reconciliation to Statement of Net Position (page 11):

Fund Balance at June 30, 2014		\$	66,272
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			3,281,534
Long-term liabilities, including long term advance, are not due and payable in the current period and therefore are not reported in the funds.			(840,000)
Net Position of Governmental Activities-Component Unit		\$	2,507,806

VILLAGE OF LAKE ORION
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
Component Unit - DDA
June 30, 2014

	Downtown Development Authority	DDA Property Acquisition Fund	Total
<u>Revenues</u>			
Property Taxes	\$ 458,924	\$ -	\$ 458,924
Intergovernmental:			
Federal, State and Local	67,450	-	67,450
Charges for Services	49,371	-	49,371
Interest	286	22	308
Other	-	-	-
Total Revenues	576,031	22	576,053
<u>Expenditures</u>			
Community Development	317,981	-	317,981
Debt Service:			
Principal	120,000	-	120,000
Interest and Other Charges	21,288	-	21,288
Capital Outlay	186,619	-	186,619
Total Expenditures	645,888	-	645,888
Excess (Deficiency) of Revenues Over Expenditures	(69,857)	22	(69,835)
<u>Other Financing Sources (Uses)</u>			
Transfers In	13,000	-	13,000
Transfers Out	-	(13,000)	(13,000)
Total Other Financing Sources (Uses)	13,000	(13,000)	-
Net Change in Fund Balance	(56,857)	(12,978)	(69,835)
Fund Balance - Beginning	122,534	13,573	136,107
Fund Balance - Ending	\$ 65,677	\$ 595	\$ 66,272

Reconciliation to Statement of Activities (pages 12-13):

Net Change in Fund Balance at June 30, 2014		\$ (69,835)
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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	186,619
Depreciation Expense	(105,960)
Loss on Disposal of Assets	(2,058)

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
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Change in Net Position-Component Unit		\$ 128,766
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VILLAGE OF LAKE ORION
Schedule of Indebtedness
Governmental Funds
June 30, 2014

2012 Installment Purchase Agreement
2013 Ford Police Interceptor Vehicles - 2
Date of Issue: November 9, 2012
Total Issue \$ 49,673
Due As Follows:

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
6.50%	11/9/2014	\$ 16,536	\$ 1,075	\$ 17,611

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:

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
5.00%	10/01/14	\$ 15,000	\$ 3,000	\$ 18,000
5.00%	10/01/15	15,000	2,250	17,250
5.00%	10/01/16	15,000	1,500	16,500
5.00%	10/01/17	15,000	750	15,750
		\$ 60,000	\$ 7,500	\$ 67,500

VILLAGE OF LAKE ORION
Schedule of Indebtedness
Proprietary Fund
June 30, 2014

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:

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
2.50%	4/1/2015	\$ 7,240	\$ 3,793	\$ 11,033
2.50%	4/1/2016	7,438	3,612	11,050
2.50%	4/1/2017	7,637	3,426	11,063
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
		\$ 151,712	\$ 36,405	\$ 188,117

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:

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
3.45%	4/1/2015	\$ 1,653	\$ 2,018	\$ 3,671
3.75%	4/1/2016	1,719	1,961	3,680
3.90%	4/1/2017	1,785	1,896	3,681
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
		\$ 38,448	\$ 20,516	\$ 58,964

VILLAGE OF LAKE ORION
Schedule of Indebtedness
Proprietary Fund
June 30, 2014

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:

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
2.50%	10/1/2014	\$ 8,118	\$ 5,079	\$ 13,197
2.50%	10/1/2015	8,321	4,874	13,195
2.50%	10/1/2016	8,524	4,664	13,188
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
		\$ 207,251	\$ 56,039	\$ 263,290

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:

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
2.00%	10/1/2014	\$ -	\$ 9,046	\$ 9,046
2.00%	10/1/2015	18,607	8,859	27,466
2.00%	10/1/2016	18,988	8,483	27,471
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	27,112	271	27,383
		\$ 452,251	\$ 105,437	\$ 557,688

