

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

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2012**

VILLAGE OF LAKE ORION
For the Year Ended June 30, 2012
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For the Year Ended June 30, 2012

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FINANCIAL SECTION

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Independent Auditor's Report

August 30, 2012

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

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, 2012, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Lake Orion's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Lake Orion as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members of the Village Council
Village of Lake Orion, Michigan
August 30, 2012

The management's discussion and analysis and the defined benefit pension plans-trend information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on them.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Lake Orion's basic financial statements. The accompanying required supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The required supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

A handwritten signature in black ink that reads "Post Smythe Lutz and Ziel of Plymouth". The signature is written in a cursive, flowing style.

Post, Smythe, Lutz and Ziel of Plymouth 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, 2012. 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 \$11,061,322 (*net assets*). Of this amount, \$2,709,318 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Village's total net assets decreased by \$147,931.
- At the close of the most recent fiscal year, the Village of Lake Orion's governmental funds reported combined ending fund balances of \$764,528. Approximately 24 percent of this total amount, \$181,085 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 \$176,987, or 14 percent of total general fund expenditures before operating transfers.
- The Village of Lake Orion's total debt decreased by \$68,613 (6 percent) during the current fiscal year, due to annual debt service payments net of debt issued.

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 assets* presents information on all of the Village of Lake Orion's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 by \$11,061,322 at the close of the most recent fiscal year. Of the Village of Lake Orion's net assets, 71 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 assets decreased by \$147,931 during the current fiscal year.

| | Village of Lake Orion's Net Assets | | | | | |
|-----------------------------------|------------------------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| | Governmental | | Business-type | | Total | |
| | Activities | | Activities | | | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Current and other assets | \$ 958,563 | \$ 1,221,388 | \$ 3,275,095 | \$ 3,280,445 | \$ 4,233,658 | \$ 4,501,833 |
| Capital Assets | 2,937,017 | 3,087,131 | 5,753,582 | 5,672,020 | 8,690,599 | 8,759,151 |
| Total Assets | <u>3,895,580</u> | <u>4,308,519</u> | <u>9,028,677</u> | <u>8,952,465</u> | <u>12,924,257</u> | <u>13,260,984</u> |
| Long-term liabilities outstanding | 902,158 | 1,022,810 | 567,776 | 414,937 | 1,469,934 | 1,437,747 |
| Other liabilities | 194,035 | 413,854 | 198,966 | 200,130 | 393,001 | 613,984 |
| Total Liabilities | <u>1,096,193</u> | <u>1,436,664</u> | <u>766,742</u> | <u>615,067</u> | <u>1,862,935</u> | <u>2,051,731</u> |
| Net Assets: | | | | | | |
| Invested in capital assets, | | | | | | |
| net of related debt | 2,652,017 | 2,587,564 | 5,199,078 | 5,270,355 | 7,851,095 | 7,857,919 |
| Restricted | 497,015 | 405,950 | 3,894 | 10,731 | 500,909 | 416,681 |
| Unrestricted | (349,645) | (121,659) | 3,058,963 | 3,056,312 | 2,709,318 | 2,934,653 |
| Total Net Assets | <u>\$ 2,799,387</u> | <u>\$ 2,871,855</u> | <u>\$ 8,261,935</u> | <u>\$ 8,337,398</u> | <u>\$ 11,061,322</u> | <u>\$ 11,209,253</u> |

Village of Lake Orion - Change in Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 671,167 | \$ 658,165 | \$ 1,173,047 | \$ 1,051,291 | \$ 1,844,214 | \$ 1,709,456 |
| Operating Grants & Contributions | 436,690 | 426,369 | - | - | 436,690 | 426,369 |
| Capital Grants & Contributions | 16,287 | 167,212 | 34,535 | 75,160 | 50,822 | 242,372 |
| General Revenues: | | | | | | |
| Property Taxes | 1,047,958 | 1,097,970 | 147,421 | 159,572 | 1,195,379 | 1,257,542 |
| State Shared Revenues | 222,656 | 213,357 | - | - | 222,656 | 213,357 |
| Unrestricted Investment Earnings | 3,868 | 8,183 | 21,825 | 15,660 | 25,693 | 23,843 |
| Total Revenues | <u>2,398,626</u> | <u>2,571,256</u> | <u>1,376,828</u> | <u>1,301,683</u> | <u>3,775,454</u> | <u>3,872,939</u> |
| Expenses: | | | | | | |
| General Government | 619,387 | 634,468 | - | - | 619,387 | 634,468 |
| Public Safety | 909,639 | 933,148 | - | - | 909,639 | 933,148 |
| Public Works | 806,325 | 803,268 | - | - | 806,325 | 803,268 |
| Health and Welfare | 10,336 | 167,996 | - | - | 10,336 | 167,996 |
| Community Development | 72,885 | 83,477 | - | - | 72,885 | 83,477 |
| Recreation and Cultural | 33,363 | 38,399 | - | - | 33,363 | 38,399 |
| Interest on Long-Term Debt | 19,159 | 28,996 | - | - | 19,159 | 28,996 |
| Water and Sewer | - | - | 1,452,291 | 1,323,164 | 1,452,291 | 1,323,164 |
| Total Expenses | <u>2,471,094</u> | <u>2,689,752</u> | <u>1,452,291</u> | <u>1,323,164</u> | <u>3,923,385</u> | <u>4,012,916</u> |
| Change in Net Assets | (72,468) | (118,496) | (75,463) | (21,481) | (147,931) | (139,977) |
| Net Assets, Beginning of Year | 2,871,855 | 2,990,351 | 8,337,398 | 8,358,879 | 11,209,253 | 11,349,230 |
| Net Assets, End of Year | <u>\$ 2,799,387</u> | <u>\$ 2,871,855</u> | <u>\$ 8,261,935</u> | <u>\$ 8,337,398</u> | <u>\$ 11,061,322</u> | <u>\$ 11,209,253</u> |

Governmental activities. Governmental activities decreased net assets by \$72,468. Key elements of the net asset decrease for Governmental activities (\$ rounded to thousands) are as follows:

- Reduction in Property Tax revenue 50,000
- Reduction in interest revenue 4,300

Business-type activities. Business-type activities decreased net assets by \$75,463. This decrease is mostly due to an increase of approximately \$57,000 in water purchases from Orion Township (City of Detroit water) and approximately \$55,000 in sewage disposal costs during the year.

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 \$764,528, approximately 24 percent of this total amount (\$181,085) 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 decreased \$43,006 for the 2011-2012 fiscal year as compared to a decrease of \$466,617 in the 2010-2011 fiscal year, which included the Flint Street reconstruction project of \$371,640.

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 \$176,987, while total fund balance was \$267,513. Unassigned fund balance represents 14 percent of total general fund expenditures before operating transfers, while total fund balance represents 21 percent of that same amount. The fund balance of the Village of Lake Orion's General Fund decreased \$134,071 during the current fiscal year.

The Police Fund has a total fund balance of \$7,072. The total Police fund balance represents an increase of \$199 in comparison with the prior year, which is mostly due to increased General Fund contributions.

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 assets of the Water and Sewer Fund at the end of the year amounted to \$3,058,963. The Water and Sewer Fund had an operating loss of \$264,598 at year end, and a total net loss of \$75,463, as compared to an operating loss of \$255,182 and total net loss of \$21,481 in the prior fiscal year.

General Fund Budgetary Highlights

There was a \$15,000 increase in budgeted expenditures between the original budget and the final amended budget. The adjustments were to account for a potential increase in public safety and public works expenditures.

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 \$8,690,599 (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 1 percent increase in business-type activities. There were no major capital asset purchases during fiscal year 2012. The Water and Sewer Fund reflects the Village's portion of the Oakland-Macomb Interceptor drain construction by the Oakland County Water Resources Commission during the year of \$296,045.

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 \$839,504. Of this amount, \$285,000 is governmental, \$554,504 is business-type. The Village of Lake Orion's total bond debt decreased by \$47,161 (5 percent) during the current fiscal year.

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 \$1,080,000 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 2011/2012 budget year, property tax revenue was 52% of the General Fund Revenue. Taxable values continued to decrease, with a drop of approximately 6% for the 2011 taxes, and a cumulative decrease since 2007/2008 of 18%. Loss of revenue over the past four years has been close to \$180,000 in the General Fund and an additional \$171,000 in the DDA Fund. Additionally, we have seen considerable loss in interest revenue, due both to the continued low interest rates and the interest lost due to lower tax revenue funds.

We did experience a slight increase in revenue received from the State of Michigan. This year, the state implemented new requirements in order to qualify for the statutory portion of the State Shared Revenue. This portion is now made available under the Economic Vitality Incentive Program (EVIP). To qualify, the Village needed to meet requirements for three parts: Accountability and Transparency, Consolidation of Services, and Employee Compensation. The Village was able to meet all three requirements to receive the full amount of EVIP funding available to it.

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.

Cost reduction activities in the 2011/2012 budget year included the following:

- Reduced one full-time dispatch position in the Police Department to a part-time position.
- Reduced the cost of benefits for the above position.
- Eliminated one part-time position within the Administrative offices.
- Eliminated one part-time position within the DDA office.
- Retired one full-time position from the Department of Public Works.
- Reduced the cost of health benefits, as of January 1, 2012, for non-union and expired contract employees (police) according to the State of Michigan Public Act 152 of 2011 (hard cap) requirements.
- Eliminated all but required expense for education and training within the General, Police and Department of Public Works departments.
- Switched all Medicare-eligible retirees receiving health care benefits to a Medicare Advantage policy.
- Reduced open hours for Green's Park , thereby reducing wages.
- Eliminated nearly all Capital Improvement purchases.
- Implemented a no-idle policy for Village vehicles.
- Reduced services including street sweeping and office cleaning

Additional cost cutting measures were worked on during the 2011/2012 fiscal year but will be implemented and realized in 2012/2013. These include:

- Eliminate the Department of Public Works Supervisor's position. Restructured the DPW positions and wage levels to provide for an overall reduction in DPW wage expense.
- Reduce the Planning and Zoning Coordinator position from full-time to part-time.
- Further reduce the cost of health benefits with the addition of employees falling within the Public Act 152 requirements (Department of Public Works) as of July 1, 2012.
- Replace the Finance Director/Treasurer's full-time position with two part-time positions of Treasurer and Finance Director.
- Eliminate the Recording Secretary for the Parks and Recreation meetings.

The purchase of water from Orion Township (City of Detroit water) has seen an increase this year of \$57,000, while the cost of sewage disposal increased by \$55,000 (approximate). The Village conducted a study to determine the need for rate increases within the Water/Sewer Fund. Based on that study, a decision was made to increase the charges for sewer usage by 50%. The Village is also evaluating sewer flow throughout the Village to determine where sewer line leakage might be occurring. The need for water/sewer infrastructure improvements is under consideration for future years.

Talk of elimination of personal property tax continues at the State level. 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 Assets
June 30, 2012

| | Primary Government | | | Component Unit - DDA |
|---|------------------------------------|-------------------------------------|----------------------|-------------------------------------|
| | Governmental Activities | Business-type Activities | Total | |
| <u>ASSETS</u> | | | | |
| Cash and Cash Equivalents | \$ 618,682 | \$ 1,838,157 | \$ 2,456,839 | \$ 133,940 |
| Receivables (net of allowance for uncollectibles) | 205,708 | 339,337 | 545,045 | 4,211 |
| Advance to Component Unit | - | 1,080,000 | 1,080,000 | - |
| Due from Other Governmental Units | 27,168 | - | 27,168 | 10,040 |
| Inventory | - | 13,707 | 13,707 | - |
| Prepaid Expenditures | 107,005 | - | 107,005 | 2,620 |
| Restricted Assets - Cash and Cash Equivalents | - | 3,894 | 3,894 | - |
| Capital Assets (net of accumulated depreciation) | 2,937,017 | 5,753,582 | 8,690,599 | 3,285,102 |
| Total Assets | 3,895,580 | 9,028,677 | 12,924,257 | 3,435,913 |
| <u>LIABILITIES</u> | | | | |
| Accounts Payable | 59,078 | 190,564 | 249,642 | 26,354 |
| Accrued Liabilities | 34,402 | - | 34,402 | - |
| Deferred Revenue | 100,555 | 7,140 | 107,695 | 4,211 |
| Liabilities payable from restricted assets | - | 1,262 | 1,262 | - |
| Noncurrent Liabilities: | | | | |
| Other Post Employment Benefit Liability | 322,480 | - | 322,480 | - |
| Compensated Absences | 294,678 | 13,272 | 307,950 | - |
| Advance from Primary Government | - | - | - | 1,080,000 |
| Due within one year | 210,000 | 148,431 | 358,431 | - |
| Due in more than one year | 75,000 | 406,073 | 481,073 | - |
| Total Liabilities | 1,096,193 | 766,742 | 1,862,935 | 1,110,565 |
| <u>NET ASSETS</u> | | | | |
| Invested in Capital Assets, net of related debt | 2,652,017 | 5,199,078 | 7,851,095 | 2,205,102 |
| Restricted for: | | | | |
| Police | 7,072 | - | 7,072 | - |
| Streets | 183,444 | - | 183,444 | - |
| Debt Service | 15,652 | 3,894 | 19,546 | - |
| Capital Projects | 30,548 | - | 30,548 | - |
| Perpetual Care | 260,299 | - | 260,299 | - |
| Unrestricted | (349,645) | 3,058,963 | 2,709,318 | 120,246 |
| Total Net Assets | \$ 2,799,387 | \$ 8,261,935 | \$ 11,061,322 | \$ 2,325,348 |

VILLAGE OF LAKE ORION
Statement of Activities
For the Year Ended June 30, 2012

| Functions/Programs | Program Revenues | | | |
|--------------------------------------|----------------------------|-----------------------------|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General Government | \$ 619,387 | \$ 186,770 | \$ 1,710 | \$ - |
| Public Safety | 909,639 | 164,649 | 272,986 | - |
| Public Works | 806,325 | 296,213 | 161,994 | - |
| Health and Welfare | 10,336 | - | - | 16,287 |
| Community Development | 72,885 | 11,334 | - | - |
| Recreation and Cultural | 33,363 | 12,201 | - | - |
| Interest on Long-Term Debt | 19,159 | - | - | - |
| Total Governmental Activities | <u>2,471,094</u> | <u>671,167</u> | <u>436,690</u> | <u>16,287</u> |
| Business-type Activities: | | | | |
| Water and Sewer | <u>1,452,291</u> | <u>1,173,047</u> | <u>-</u> | <u>34,535</u> |
| Total Primary Government | <u>\$ 3,923,385</u> | <u>\$ 1,844,214</u> | <u>\$ 436,690</u> | <u>\$ 50,822</u> |
| Component Unit-DDA | <u>\$ 543,835</u> | <u>\$ 110,696</u> | <u>\$ 63,490</u> | <u>\$ -</u> |

General Revenues:
Property Taxes
State Shared Revenue
Unrestricted Investment Earnings
Total General Revenues

Change in Net Assets
Net Assets - Beginning

Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets

| Primary Government | | | |
|----------------------------|-----------------------------|---------------|----------------------------|
| Governmental Activities | Business-type Activities | Total | Component Unit - DDA |
| \$ (430,907) | \$ - | \$ (430,907) | \$ - |
| (472,004) | - | (472,004) | - |
| (348,118) | - | (348,118) | - |
| 5,951 | - | 5,951 | - |
| (61,551) | - | (61,551) | - |
| (21,162) | - | (21,162) | - |
| (19,159) | - | (19,159) | - |
| (1,346,950) | - | (1,346,950) | - |
| - | (244,709) | (244,709) | - |
| (1,346,950) | (244,709) | (1,591,659) | - |
| - | - | - | (369,649) |
| 1,047,958 | 147,421 | 1,195,379 | 517,223 |
| 222,656 | - | 222,656 | - |
| 3,868 | 21,825 | 25,693 | 2,150 |
| 1,274,482 | 169,246 | 1,443,728 | 519,373 |
| (72,468) | (75,463) | (147,931) | 149,724 |
| 2,871,855 | 8,337,398 | 11,209,253 | 2,175,624 |
| \$ 2,799,387 | \$ 8,261,935 | \$ 11,061,322 | \$ 2,325,348 |

VILLAGE OF LAKE ORION
Balance Sheet
Governmental Funds
June 30, 2012

| | <u>General</u> | <u>Police</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------|-------------------|---|---|
| <u>ASSETS</u> | | | | |
| Cash and Cash Equivalents | \$ 154,968 | \$ 1,833 | \$ 461,881 | \$ 618,682 |
| Receivables (net of allowance for uncollectibles) | 91,547 | 112,516 | 1,645 | 205,708 |
| Due from State | - | - | 27,168 | 27,168 |
| Prepaid Expenditures | <u>86,428</u> | <u>20,577</u> | <u>-</u> | <u>107,005</u> |
| Total Assets | <u>\$ 332,943</u> | <u>\$ 134,926</u> | <u>\$ 490,694</u> | <u>\$ 958,563</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 38,514 | \$ 19,813 | \$ 751 | \$ 59,078 |
| Accrued and Other Liabilities | 26,032 | 8,370 | - | 34,402 |
| Deferred Revenue | 884 | 99,671 | - | 100,555 |
| Total Liabilities | <u>65,430</u> | <u>127,854</u> | <u>751</u> | <u>194,035</u> |
| Fund Balances: | | | | |
| Nonspendable-Prepays | 86,428 | - | - | 86,428 |
| Restricted for: | | | | |
| Police | - | 7,072 | - | 7,072 |
| Streets | - | - | 183,444 | 183,444 |
| Debt Service | - | - | 15,652 | 15,652 |
| Capital Projects | - | - | 30,548 | 30,548 |
| Perpetual Care | - | - | 260,299 | 260,299 |
| Assigned for Public Works | 4,098 | - | - | 4,098 |
| Unassigned | 176,987 | - | - | 176,987 |
| Total Fund Balance | <u>267,513</u> | <u>7,072</u> | <u>489,943</u> | <u>764,528</u> |
| Total Liabilities and Fund Balance | <u>\$ 332,943</u> | <u>\$ 134,926</u> | <u>\$ 490,694</u> | |

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

| | |
|--|---------------------|
| Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 2,937,017 |
| Other Post Employment Benefit Liability | (322,480) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | <u>(579,678)</u> |
| Net Assets of Governmental Activities | <u>\$ 2,799,387</u> |

VILLAGE OF LAKE ORION
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2012

| | <u>General</u> | <u>Police</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------|------------------|---|---|
| <u>Revenues</u> | | | | |
| Property Taxes | \$ 839,503 | \$ - | \$ 208,455 | \$ 1,047,958 |
| Intergovernmental: | | | | |
| Federal, State and Local | 238,943 | 272,986 | 161,994 | 673,923 |
| Charges for Services | 316,069 | 91,800 | - | 407,869 |
| Fines and Forfeitures | - | 41,821 | - | 41,821 |
| Interest | 1,656 | - | 2,212 | 3,868 |
| Other | 176,620 | 31,028 | 15,539 | 223,187 |
| Total Revenues | <u>1,572,791</u> | <u>437,635</u> | <u>388,200</u> | <u>2,398,626</u> |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| General Government | 493,835 | - | 980 | 494,815 |
| Public Safety | - | 836,980 | 395 | 837,375 |
| Public Works | 625,501 | - | 76,792 | 702,293 |
| Health and Welfare | 10,336 | - | - | 10,336 |
| Community Development | 72,885 | - | - | 72,885 |
| Recreation and Cultural | 24,810 | - | 766 | 25,576 |
| Other Functions | 56,995 | - | - | 56,995 |
| Debt Service: | | | | |
| Principal | - | 14,567 | 200,000 | 214,567 |
| Interest and Other Charges | - | 889 | 18,270 | 19,159 |
| Capital Outlay | - | - | 7,631 | 7,631 |
| Total Expenditures | <u>1,284,362</u> | <u>852,436</u> | <u>304,834</u> | <u>2,441,632</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>288,429</u> | <u>(414,801)</u> | <u>83,366</u> | <u>(43,006)</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers In | - | 415,000 | 39,500 | 454,500 |
| Transfers Out | <u>(422,500)</u> | <u>-</u> | <u>(32,000)</u> | <u>(454,500)</u> |
| Total Other Financing Sources (Uses) | <u>(422,500)</u> | <u>415,000</u> | <u>7,500</u> | <u>-</u> |
| Net Change in Fund Balance | (134,071) | 199 | 90,866 | (43,006) |
| Fund Balance - Beginning | <u>401,584</u> | <u>6,873</u> | <u>399,077</u> | <u>807,534</u> |
| Fund Balance - Ending | <u>\$ 267,513</u> | <u>\$ 7,072</u> | <u>\$ 489,943</u> | <u>\$ 764,528</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, 2012

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

| | | |
|---|----|----------|
| Net change in fund balance - total governmental funds | \$ | (43,006) |
|---|----|----------|

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.

| | | |
|----------------------|-------|-----------|
| | 7,631 | (157,745) |
| Capital Outlay | | |
| Depreciation Expense | | |

| | | |
|---|--|-----------|
| Change in Other Post Employment Benefit Liability | | (100,800) |
|---|--|-----------|

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.

| | | |
|----------------------------------|---------|--------------|
| | 214,567 | |
| Principal Repayments | | |
| Decrease in Compensated Absences | | <u>6,885</u> |

| | | |
|---|----|------------------------|
| Change in net assets in governmental activities | \$ | <u><u>(72,468)</u></u> |
|---|----|------------------------|

VILLAGE OF LAKE ORION

Balance Sheet
Proprietary Fund
June 30, 2012

| | <u>Enterprise Fund</u> <u>Water & Sewer</u> |
|---|--|
| <u>ASSETS</u> | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 1,838,157 |
| Accounts Receivable | 339,337 |
| Inventory | 13,707 |
| Total Current Assets | <u>2,191,201</u> |
| Restricted Assets - Cash | <u>3,894</u> |
| Advance to Component Unit | <u>1,080,000</u> |
| Property, Plant and Equipment | 11,628,609 |
| Less: Accumulated Depreciation | <u>(5,875,027)</u> |
| Net Property, Plant and Equipment | <u>5,753,582</u> |
| Total Assets | \$ <u><u>9,028,677</u></u> |
| <u>LIABILITIES AND EQUITY</u> | |
| Current Liabilities: | |
| Accounts Payable | \$ 190,564 |
| Compensated Absences Payable | 586 |
| Deferred Revenue | 7,140 |
| General Obligation Bonds Payable | 148,431 |
| Total Current Liabilities | <u>346,721</u> |
| Current Liabilities Payable from Restricted Assets: | |
| Accrued Interest Payable | <u>1,262</u> |
| Long-Term Liabilities: | |
| Compensated Absences Payable | 12,686 |
| General Obligation Bonds Payable | <u>406,073</u> |
| Total Long-Term Liabilities | <u>418,759</u> |
| Total Liabilities | <u>766,742</u> |
| Equity: | |
| Invested in Capital Assets, Net of Related Debt | 5,199,078 |
| Restricted for Debt Service | 3,894 |
| Unrestricted | <u>3,058,963</u> |
| Total Equity | <u>8,261,935</u> |
| Total Liabilities and Equity | \$ <u><u>9,028,677</u></u> |

VILLAGE OF LAKE ORION
Statement of Revenues, Expenses and Changes in Fund Equity
Proprietary Fund
For the Year Ended June 30, 2012

| | | <u>Enterprise Fund</u> <u>Water & Sewer</u> |
|--|----|--|
| <u>Operating Revenues:</u> | | |
| Charges for Services | \$ | 1,154,148 |
| Penalty Charges | | 14,806 |
| Miscellaneous | | 4,093 |
| Total Operating Revenues | | <u>1,173,047</u> |
| <u>Operating Expenses:</u> | | |
| Salaries and Fringe Benefits | | 86,937 |
| Water Purchases | | 392,964 |
| Sewage Treatment | | 560,851 |
| General and Administrative | | 87,843 |
| Supplies | | 8,291 |
| Contract Services | | 16,821 |
| Equipment Repairs & Rentals | | 56,669 |
| Depreciation and Amortization | | 227,269 |
| Total Operating Expenses | | <u>1,437,645</u> |
| Operating Income (Loss) | | <u>(264,598)</u> |
| <u>Non-Operating Revenues (Expenses):</u> | | |
| Property Taxes | | 147,421 |
| Interest Earned | | 21,825 |
| Interest Expense and Related Fees | | (14,646) |
| Total Non-Operating Revenues (Expenses) | | <u>154,600</u> |
| Income before Contributions and Transfers | | (109,998) |
| Capital Contributions - Tap Fees | | <u>34,535</u> |
| Net Income (Loss) | | (75,463) |
| Fund Equity, Beginning | | <u>8,337,398</u> |
| Fund Equity, Ending | \$ | <u><u>8,261,935</u></u> |

VILLAGE OF LAKE ORION
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2012

| | Enterprise Fund |
|---|--------------------------|
| | Water & Sewer |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | |
| Receipts from customers and users | \$ 1,258,777 |
| Payments to Suppliers | (1,124,903) |
| Payments to Employees | (86,937) |
| Net Cash Provided by Operating Activities | 46,937 |
| <u>CASH FLOWS FROM NONCAPITAL FINANCING</u> | |
| <u>ACTIVITIES</u> | |
| Property Taxes Levied | 147,421 |
| <u>CASH FLOWS FROM CAPITAL AND RELATED</u> | |
| <u>FINANCING ACTIVITIES</u> | |
| Capital Contributions | 34,535 |
| Construction of Fixed Assets | (308,831) |
| Proceeds from County Bond Debt | 296,045 |
| Principal Paid on Capital Debt | (143,206) |
| Interest Paid on Capital Debt | (14,646) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (136,103) |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | |
| Interest Earned | 21,825 |
| Net Cash Provided (Used) by Investing Activities | 21,825 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 80,080 |
| Cash and Cash Equivalents, Beginning | 1,761,971 |
| Cash and Cash Equivalents, Ending | \$ 1,842,051 |
| Balance Sheet Classification of Cash and Cash Equivalents: | |
| Cash and Cash Equivalents | \$ 1,838,157 |
| Restricted Assets | 3,894 |
| Total | \$ 1,842,051 |
| <u>Reconciliation of Operating Income to Net Cash</u> | |
| <u>Provided (Used) by Operating Activities:</u> | |
| Operating Income (Loss) | \$ (264,598) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | |
| Depreciation and Amortization Expense | 227,269 |
| (Increase) Decrease in Receivables | (34,570) |
| (Increase) Decrease in Advance to Component Unit | 120,000 |
| Increase (Decrease) in Accounts Payable | (273) |
| Increase (Decrease) in Accrued Interest Payable | (1,191) |
| Increase (Decrease) in Deferred Revenue | 300 |
| Net Cash Provided by Operating Activities | \$ 46,937 |

VILLAGE OF LAKE ORION
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

| | Employee Retirement Plan | Agency Fund |
|---------------------------------------|---|------------------------|
| <u>ASSETS</u> | | |
| Cash and Cash Equivalents | \$ 100 | \$ 148,280 |
| Investments, at fair value: | | |
| Mutual Funds | 30,679 | - |
| Total Assets | 30,779 | 148,280 |
| <u>LIABILITIES</u> | | |
| Due to Other | - | 148,280 |
| <u>NET ASSETS</u> | | |
| Held in Trust for Retirement Benefits | \$ 30,779 | \$ - |

VILLAGE OF LAKE ORION
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

| | Employee Retirement Plan |
|---|---|
| Additions: | |
| Contributions: | |
| Employer | \$ 10,000 |
| Investment Earnings: | |
| Net increase(decrease) in fair value of investments | (301) |
| Total Additions | 9,699 |
| Change in Net Assets | 9,699 |
| Net Assets - Beginning of Year | 21,080 |
| Net Assets - End of Year | \$ 30,779 |

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2012

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 assets and the statement of changes in net assets) 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, 2012

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, 2012

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:

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, 2012

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 Assets 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, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets 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, 2012.

3. Inventory

Inventories are valued at cost using the first-in/first out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

4. Restricted Assets

Assets of the Water and Sewer Fund have been restricted for debt service payments which are to be funded out of bond proceeds and as required by other agreements.

Retained earnings have been reserved for property taxes levied for debt retirement. Retained earnings have not been reserved for the restricted assets resulting from the issuance of debt and the receipt of contributed capital.

Restricted assets at June 30, 2012 consist of the following:

| | |
|--|-----------------|
| General Obligation Bonds Debt Retirement | <u>\$ 3,894</u> |
|--|-----------------|

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

5. 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 |
| Equipment | 5-10 |
| Vehicles | 5-10 |

6. 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 Assets. This liability is composed of employees who retire and any unused vacation paid upon termination of employment.

7. 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 assets. Bond premiums and discounts

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

7. Long-term Obligations – Continued

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 Assets. Long-term liabilities expected to be financed from proprietary funds are reported as liabilities in those funds.

8. 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 governing body.

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.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2012

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.

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 2012, several budget amendments were made and are reflected in the financial statements.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2012

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

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, 2012.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The budgets for the General and Special Revenue Funds are adopted at the activity level; expenditures in excess of budget appropriations are as follows:

| | <u>Final Budget</u> | <u>Actual</u> | <u>Excess Expenditures Over Appropriations</u> |
|--------------------|-------------------------|---------------|--|
| General Fund: | | | |
| Village Manager | \$ 86,090 | \$88,140 | \$ 2,050 |
| Public Works | 410,500 | 435,804 | 25,304 |
| Street Lighting | 33,990 | 38,197 | 4,207 |
| Comm. Dev. NSP | - | 9,449 | 9,449 |
| Parks & Recreation | 23,271 | 24,810 | 1,539 |
| Police Fund | 819,264 | 852,436 | 33,172 |

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, 2012, the Village's book balance of its deposits was \$2,608,638; the total book balance was \$2,609,113, due to \$475 in cash on hand. The bank balance was \$2,634,544 which was exposed to custodial credit risk, as follows:

| | |
|--------------------------------|-------------------------|
| | <u>Bank Balance</u> |
| Insured by F.D.I.C. | \$1,884,001 |
| Uninsured and Uncollateralized | <u>750,543</u> |
| Total | <u>\$2,634,544</u> |

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2012

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

A reconciliation of cash for the primary government follows:

| | |
|---|--------------------|
| Cash and Cash Equivalents per: | |
| Statement of Net Assets | \$2,456,839 |
| Restricted Assets-Statement of Net Assets | 3,894 |
| Statement of Fiduciary Net Assets | <u>148,380</u> |
| Total | <u>\$2,609,113</u> |

At June 30, 2012, the carrying amount and bank balances of the component units of the Village of Lake Orion are as follows:

| | <u>Carrying Amount</u> | <u>Bank Balance</u> | <u>FDIC Insured</u> |
|--------------------------------|----------------------------|-------------------------|-------------------------|
| Downtown Development Authority | <u>\$133,940</u> | <u>\$133,940</u> | <u>\$133,940</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.

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 | \$ 1,035,041 | Demand |
| Pooled Investments(Share price=\$1) | 399,503 | Demand |
| Certificates of Deposits- Less than one year | 850,000 | days |
| Certificates of Deposits- More than one year | <u>350,000</u> | days |
| | <u>\$ 2,634,544</u> | |
| Trust Funds: | | |
| Mutual Funds – Bonds | \$10,603 | N/A |
| Mutual Funds – Equity | <u>20,076</u> | N/A |
| | <u>\$ 30,679</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, 2012

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

| <u>Governmental Activities:</u> | <u>Beginning</u> <u>Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending</u> <u>Balance</u> |
|------------------------------------|------------------------------------|---------------------|------------------|---------------------------------|
| Capital Assets, not depreciated: | | | | |
| Land | \$ 498,484 | \$ - | \$ - | \$ 498,484 |
| Capital Assets, being depreciated: | | | | |
| Land Improvements | 405,875 | - | - | 405,875 |
| Street and Road Improvements | 2,371,147 | - | - | 2,371,147 |
| Building and Improvements | 897,891 | - | - | 897,891 |
| Machinery and Equipment | 440,327 | 7,631 | - | 447,958 |
| Vehicles | 519,916 | - | - | 519,916 |
| | <u>4,635,156</u> | <u>7,631</u> | <u>-</u> | <u>4,642,787</u> |
| Less: Accumulated Depreciation: | | | | |
| Land Improvements | (195,157) | (26,569) | - | (221,726) |
| Street and Road Improvements | (485,955) | (47,423) | - | (533,378) |
| Building and Improvements | (644,663) | (24,096) | - | (668,759) |
| Machinery and Equipment | (361,638) | (32,035) | - | (393,673) |
| Vehicles | (359,096) | (27,622) | - | (386,718) |
| | <u>(2,046,509)</u> | <u>(157,745)</u> | <u>-</u> | <u>(2,204,254)</u> |
| Governmental Activities | | | | |
| Capital Assets, net | <u>\$ 3,087,131</u> | <u>\$ (150,114)</u> | <u>\$ -</u> | <u>\$ 2,937,017</u> |

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

| | |
|-------------------------|-------------------|
| General Government | \$ 40,577 |
| Public Safety | 36,149 |
| Public Works | 73,232 |
| Recreation and Cultural | 7,787 |
| | <u>\$ 157,745</u> |

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2012

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 | \$ 10,224,863 | \$ 296,045 | \$ - | \$ 10,520,908 |
| Equipment | 194,202 | 12,786 | - | 206,988 |
| Intangible Assets-Water Lines | 900,713 | - | - | 900,713 |
| | <u>11,319,778</u> | <u>308,831</u> | <u>-</u> | <u>11,628,609</u> |
| Less: Accumulated Depreciation: | | | | |
| Water and Sewer Mains | (5,084,710) | (201,674) | - | (5,286,384) |
| Equipment | (180,244) | (3,077) | - | (183,321) |
| Intangible Assets-Water Lines | (382,804) | (22,518) | - | (405,322) |
| | <u>(5,647,758)</u> | <u>(227,269)</u> | <u>-</u> | <u>(5,875,027)</u> |
| Business-type Activities | | | | |
| Capital Assets, net | <u>\$ 5,672,020</u> | <u>\$ 81,562</u> | <u>\$ -</u> | <u>\$ 5,753,582</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 | \$ - | \$ - | \$ 566,803 |
| Street and Road Improvements | 1,890,790 | 1,156,220 | - | 3,047,010 |
| Building and Improvements | 499,000 | - | - | 499,000 |
| Equipment | 16,477 | 125 | - | 16,602 |
| | <u>2,973,070</u> | <u>1,156,345</u> | <u>-</u> | <u>4,129,415</u> |
| Less: Accumulated Depreciation: | | | | |
| Land Improvements | (402,849) | (20,169) | - | (423,018) |
| Street and Road Improvements | (292,011) | (48,279) | - | (340,290) |
| Building and Improvements | (56,138) | (12,475) | - | (68,613) |
| Equipment | (10,423) | (1,969) | - | (12,392) |
| | <u>(761,421)</u> | <u>(82,892)</u> | <u>-</u> | <u>(844,313)</u> |
| Component Unit | | | | |
| Capital Assets, net | <u>\$ 2,211,649</u> | <u>\$ 1,073,453</u> | <u>\$ -</u> | <u>\$ 3,285,102</u> |

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2012

III. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers

The composition of interfund transfers as of June 30, 2012, is as follows:

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> |
|--------------------------|----------------------|-------------------|
| Police Fund | General Fund | \$ 415,000 |
| Capital Improvement Fund | General Fund | 7,500 |
| Local Street Fund | Major Street Fund | 18,000 |
| North Shore Bridge Debt | Local Street Fund | 14,000 |
| | | <u>\$ 454,500</u> |

Transfers represent the following:

Local Street Fund transferred to debt fund to make annual debt service payments.

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, 2012:

| | <u>Balance July 1, 2011</u> | <u>Add: Additional Debt Incurred</u> | <u>Less: Retirements and Payments on Debt</u> | <u>Balance June 30, 2012</u> | <u>Due Within One Year</u> |
|--------------------------------|-------------------------------------|--|---|--------------------------------------|------------------------------------|
| Governmental Activities: | | | | | |
| General Obligation Bonds | \$ 390,000 | \$ - | \$ 190,000 | \$ 200,000 | \$200,000 |
| MTF Bonds | 95,000 | - | 10,000 | 85,000 | 10,000 |
| Installment Purchase | 14,567 | - | 14,567 | - | - |
| Compensated Absences | 301,563 | - | 6,885 | 294,678 | - |
| Total Governmental Activities | <u>801,130</u> | <u>-</u> | <u>221,452</u> | <u>579,678</u> | <u>210,000</u> |
| Business-type Activities: | | | | | |
| G.O. Refunding Bonds | 275,000 | - | 135,000 | 140,000 | 140,000 |
| County Interceptor Bonds | 126,665 | 296,045 | 8,206 | 414,504 | 4,746 |
| Compensated Absences | 13,272 | - | - | 13,272 | - |
| Total Business-type Activities | <u>414,937</u> | <u>296,045</u> | <u>143,206</u> | <u>567,776</u> | <u>144,746</u> |
| Total | <u>\$ 1,216,067</u> | <u>\$ 296,045</u> | <u>\$ 364,658</u> | <u>\$1,147,454</u> | <u>\$354,746</u> |
| Component Unit - DDA: | | | | | |
| Long Term Advance | <u>\$ 1,200,000</u> | <u>\$ -</u> | <u>\$ 120,000</u> | <u>\$1,080,000</u> | <u>\$ -</u> |

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2012

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, 2012:

| | <u>Number of Issues</u> | <u>Interest Rate</u> | <u>Maturing Through</u> | <u>Principal Outstanding</u> |
|---------------------------|-----------------------------|--------------------------|-----------------------------|----------------------------------|
| Governmental Activities: | | | | |
| General Oblig. Bonds | 1 | 4.70-4.85% | 2012 | \$ 200,000 |
| MTF Bonds | 1 | 5.00% | 2017 | 85,000 |
| | | | | <u>\$ 285,000</u> |
| Business-type Activities: | | | | |
| G.O. Refunding Bonds | 1 | 3.55-3.63% | 2013 | \$ 140,000 |
| County Interceptor Bonds | 2 | 1.45-5.90% | 2031 | 414,504 |
| | | | | <u>\$ 554,504</u> |
| Component Unit-DDA: | | | | |
| Long Term Advance | 1 | 2.00% | 2020 | <u>\$ 1,080,000</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%, and Series 2011, maturing in 2033 with an interest rate of 2.50%. The Village of Lake Orion's portion of .6612% of the total debt is \$423,966.

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, 2012

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, 2012 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> |
| 2013 | \$ 210,000 | \$ 9,100 | \$ 148,431 | \$ 16,488 |
| 2014 | 15,000 | 3,750 | 8,662 | 11,207 |
| 2015 | 15,000 | 3,000 | 17,011 | 10,890 |
| 2016 | 15,000 | 2,250 | 17,478 | 10,447 |
| 2017 | 15,000 | 1,500 | 17,946 | 9,986 |
| 2018-2022 | 15,000 | 750 | 97,290 | 42,369 |
| 2023-2027 | - | - | 111,827 | 27,866 |
| 2028-2032 | - | - | 110,247 | 10,758 |
| 2033-2034 | - | - | 25,612 | 644 |
| | <u>\$ 285,000</u> | <u>\$ 20,350</u> | <u>\$ 554,504</u> | <u>\$ 140,655</u> |

| <u>Year Ended</u> | <u>Component Unit - DDA</u> | |
|-------------------|-----------------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2013 | \$ 120,000 | \$ 21,600 |
| 2014 | 120,000 | 19,200 |
| 2015 | 120,000 | 16,800 |
| 2016 | 120,000 | 14,400 |
| 2017 | 120,000 | 12,000 |
| 2018-2021 | 480,000 | 24,000 |
| | <u>\$ 1,080,000</u> | <u>\$ 108,000</u> |

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2012

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, Downtown Development Authority Fund, 1998 G.O. Bond Debt Fund, and Water and Sewer 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 2011 tax roll:

| <u>Purpose</u> | <u>Authorization</u> | <u>Authorized Rate</u> | <u>Per \$1,000 of State Equalized Value</u> | | |
|----------------|----------------------|----------------------------|---|------------------------|-----------------------|
| | | | <u>Authorized Rate Post "Roll Back"</u> | <u>Rate Levied</u> | <u>Tax Margin</u> |
| Operating | State Law | 20.00 | 12.0923 | 9.8000 | 2.2923 |
| Debt | Voted | - | - | 1.1134 | - |
| Debt | Voted | - | - | 1.8835 | - |

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, 2011 Township tax levy is paid by residents through February 2012. The Township remits its payment to the Village through June 2012, which will be used to replace the July 1, 2012 tax levy.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2012

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, 2010.

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, 2009. As of July 1, 2011, the Village closed all defined benefit groups to new members, so the Village now contributes a monthly flat rate for each group as follows:

| | |
|-------------------|-------------------|
| General - Union | \$2,954 per month |
| General Non-Union | \$2,620 |
| Police | \$1,880 |

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2012

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, 2012, the Village's contributions totaling \$89,448 along with \$27,840 of employee contributions were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2009. 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

| Fiscal Year Ended <u>June 30,</u> | Valuation Date <u>Dec. 31</u> | Annual Pension Cost (APC) <u>Cost (APC)</u> | Percentage of APC <u>Contributed</u> | Net Pension Obligation <u>Obligation</u> |
|---|-------------------------------------|--|--|---|
| 2010 | 2007 | \$ 69,506 | 100% | \$-0- |
| 2011 | 2008 | 67,977 | 100% | -0- |
| 2012 | 2009 | 89,448 | 100% | -0- |

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2012

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 \$12,283.

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 \$5,968.

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 \$111,631, 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, 2012, 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, 2012

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) | \$ 213,101 |
| Interest on the prior year's net OPEB obligation | 9,330 |
| Less adjustment to the annual required contribution | - |
| Annual OPEB Cost | 222,431 |
| | |
| Amounts Contributed: | |
| Payments of current premiums | (111,631) |
| Advance funding | (10,000) |
| Increase(Decrease) in net OPEB obligation | 100,800 |
| OPEB obligation - Beginning of Year | 221,680 |
| OPEB obligation - End of Year | \$ 322,480 |

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

Valuation as of July 1, 2009:

| | |
|-----------------------------------|---------------|
| Actuarial Value of Assets | \$ 139,944 |
| Actuarial Accrued Liability (AAL) | 2,582,191 |
| Unfunded AAL (UAAL) | 2,442,247 |
| Funded Ratio | 5.42% |
| 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> |
|------------------------------------|---|------------------------------------|---|--------------------------------------|
| 6/30/2010 | 7/1/2009 | \$ 228,795 | 52% | \$ 119,373 |
| 6/30/2011 | 7/1/2009 | \$ 225,063 | 45% | \$ 221,680 |
| 6/30/2012 | 7/1/2009 | \$ 222,431 | 55% | \$ 322,480 |

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2012

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, 2012

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, 945 Glaspie St., P.O. Box 96, Oxford, Michigan 48371.

D. Upcoming Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued a new pronouncement in June 2011, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement amends net asset reporting requirements of GASB Statement No. 34 by incorporating deferred outflows and deferred inflows into the definition of the component of residual measure and by renaming that measure as net position, rather than net assets. This statement also results in changes to the financial reporting format which include a Statement of Net Position and inclusion of deferred inflows and deferred outflows on the governmental fund balance sheets. This new standard will be effective beginning with the Village's fiscal year ended June 30, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF LAKE ORION
Required Supplementary Information – (Unaudited)
Defined Benefit Pension Plans – Trend Information
For the Year Ended June 30, 2012

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 |

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2010 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, 2012

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--------------------------------------|-------------------------|------------------|-------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues:</u> | | | | |
| Property Taxes | \$ 805,000 | \$ 805,000 | \$ 804,078 | \$ (922) |
| Penalties and Interest | 10,488 | 10,488 | 10,239 | (249) |
| In Lieu of Taxes | 24,500 | 24,500 | 25,186 | 686 |
| Intergovernmental - Federal/CDBG | 8,000 | 8,000 | 1,708 | (6,292) |
| Intergovernmental - Federal/NSP | - | - | 14,579 | 14,579 |
| Intergovernmental - State | 190,000 | 190,000 | 222,656 | 32,656 |
| Charges for Services | 191,000 | 191,000 | 316,069 | 125,069 |
| Interest Earnings | 3,000 | 3,000 | 1,656 | (1,344) |
| Administration Fees | 140,000 | 140,000 | 140,000 | - |
| Other Revenues | 7,900 | 7,900 | 36,620 | 28,720 |
| Total Revenues | <u>1,379,888</u> | <u>1,379,888</u> | <u>1,572,791</u> | <u>192,903</u> |
| <u>Expenditures:</u> | | | | |
| General Government: | | | | |
| Village Council | 4,528 | 4,528 | 3,827 | 701 |
| Village Manager | 86,090 | 86,090 | 88,140 | (2,050) |
| Clerk | 98,237 | 98,237 | 96,457 | 1,780 |
| Treasurer | 87,194 | 87,194 | 85,895 | 1,299 |
| Municipal Building | 183,643 | 183,643 | 179,378 | 4,265 |
| Data Processing | 4,950 | 4,950 | 4,480 | 470 |
| Professional Services | 44,150 | 44,150 | 35,658 | 8,492 |
| | <u>508,792</u> | <u>508,792</u> | <u>493,835</u> | <u>14,957</u> |
| Public Works: | | | | |
| Public Works | 410,500 | 410,500 | 435,804 | (25,304) |
| Sanitation | 151,500 | 151,500 | 151,500 | - |
| Street Lighting | 33,990 | 33,990 | 38,197 | (4,207) |
| | <u>595,990</u> | <u>595,990</u> | <u>625,501</u> | <u>(29,511)</u> |
| Health and Welfare: | | | | |
| Community Development Block Grant | 8,000 | 8,000 | 887 | 7,113 |
| Community Development NSP | - | - | 9,449 | (9,449) |
| | <u>8,000</u> | <u>8,000</u> | <u>10,336</u> | <u>(2,336)</u> |
| Community and Economic Development: | | | | |
| Planning and Zoning | 77,012 | 77,012 | 72,885 | 4,127 |
| Recreation and Cultural: | | | | |
| Parks and Recreation | 23,271 | 23,271 | 24,810 | (1,539) |
| Other Functions: | | | | |
| Insurance | 59,000 | 59,000 | 56,995 | 2,005 |
| Community Promotion | - | - | - | - |
| | <u>59,000</u> | <u>59,000</u> | <u>56,995</u> | <u>2,005</u> |
| Total Expenditures | <u>1,272,065</u> | <u>1,272,065</u> | <u>1,284,362</u> | <u>(12,297)</u> |
| Excess of Revenues Over Expenditures | 107,823 | 107,823 | 288,429 | 180,606 |
| Other Financing Uses: | | | | |
| Operating Transfers Out | (427,000) | (442,000) | (422,500) | 19,500 |
| Net Change in Fund Balance | (319,177) | (334,177) | (134,071) | 200,106 |
| Fund Balance - July 1 | 401,584 | 401,584 | 401,584 | - |
| Fund Balance - June 30 | <u>\$ 82,407</u> | <u>\$ 67,407</u> | <u>\$ 267,513</u> | <u>\$ 200,106</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, 2012

| | <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 | \$ 9,424 | \$ 5,224 |
| Intergovernmental-Local | 263,500 | 263,500 | 263,562 | 62 |
| Charges for Services | 91,800 | 91,800 | 91,800 | - |
| Fines and Forfeitures | 56,000 | 56,000 | 41,821 | (14,179) |
| Other | 35,000 | 35,000 | 31,028 | (3,972) |
| Total Revenues | <u>450,500</u> | <u>450,500</u> | <u>437,635</u> | <u>(12,865)</u> |
| <u>Expenditures:</u> | | | | |
| Wages and Benefits | 697,008 | 697,008 | 717,505 | (20,497) |
| Other | 106,800 | 106,800 | 119,475 | (12,675) |
| Debt Service | 15,456 | 15,456 | 15,456 | - |
| Total Expenditures | <u>819,264</u> | <u>819,264</u> | <u>852,436</u> | <u>(33,172)</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(368,764)</u> | <u>(368,764)</u> | <u>(414,801)</u> | <u>(46,037)</u> |
| <u>Other Financing Sources:</u> | | | | |
| Transfers In | <u>400,000</u> | <u>415,000</u> | <u>415,000</u> | <u>-</u> |
| Net Change in Fund Balance | 31,236 | 46,236 | 199 | (46,037) |
| Fund Balance, July 1 | <u>6,873</u> | <u>6,873</u> | <u>6,873</u> | <u>-</u> |
| Fund Balance, June 30 | <u>\$ 38,109</u> | <u>\$ 53,109</u> | <u>\$ 7,072</u> | <u>\$ (46,037)</u> |

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF LAKE ORION
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

| | <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 | \$ 156,965 | \$ 15,652 | \$ 30,610 | \$ 258,654 | \$ 461,881 |
| Accounts Receivable | - | - | - | 1,645 | 1,645 |
| Due from State | <u>27,168</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>27,168</u> |
| Total Assets | <u>\$ 184,133</u> | <u>\$ 15,652</u> | <u>\$ 30,610</u> | <u>\$ 260,299</u> | <u>\$ 490,694</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | \$ <u>689</u> | \$ <u>-</u> | \$ <u>62</u> | \$ <u>-</u> | \$ <u>751</u> |
| Fund Balance: | | | | | |
| Restricted for Streets | 183,444 | - | - | - | 183,444 |
| Restricted for Debt Service | - | 15,652 | - | - | 15,652 |
| Restricted for Capital Projects | - | - | 30,548 | - | 30,548 |
| Restricted for Perpetual Care | <u>-</u> | <u>-</u> | <u>-</u> | <u>260,299</u> | <u>260,299</u> |
| Total Fund Balance | <u>183,444</u> | <u>15,652</u> | <u>30,548</u> | <u>260,299</u> | <u>489,943</u> |
| Total Liabilities and Fund Balance | <u>\$ 184,133</u> | <u>\$ 15,652</u> | <u>\$ 30,610</u> | <u>\$ 260,299</u> | <u>\$ 490,694</u> |

VILLAGE OF LAKE ORION
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

| | <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> | | | | | |
| Property Tax Revenue | \$ - | \$ 208,455 | \$ - | \$ - | \$ 208,455 |
| State-Shared Revenue | 161,994 | - | - | - | 161,994 |
| Interest Earned | 336 | 10 | 100 | 1,766 | 2,212 |
| Other Revenues | 3,679 | - | - | 11,860 | 15,539 |
| Total Revenues | <u>166,009</u> | <u>208,465</u> | <u>100</u> | <u>13,626</u> | <u>388,200</u> |
| <u>Expenditures:</u> | | | | | |
| Highways, Streets, Sidewalks and Other Maintenance | 76,792 | - | - | - | 76,792 |
| Other | - | - | 2,141 | - | 2,141 |
| Debt Service: | | | | | |
| Principal | - | 200,000 | - | - | 200,000 |
| Interest and Other Charges | - | 18,270 | - | - | 18,270 |
| Capital Outlay | - | - | 7,631 | - | 7,631 |
| Total Expenditures | <u>76,792</u> | <u>218,270</u> | <u>9,772</u> | <u>-</u> | <u>304,834</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>89,217</u> | <u>(9,805)</u> | <u>(9,672)</u> | <u>13,626</u> | <u>83,366</u> |
| Other Financing Sources (Uses): | | | | | |
| Operating Transfers In | 18,000 | 14,000 | 7,500 | - | 39,500 |
| Operating Transfers Out | (32,000) | - | - | - | (32,000) |
| Total Other Financing Sources (Uses) | <u>(14,000)</u> | <u>14,000</u> | <u>7,500</u> | <u>-</u> | <u>7,500</u> |
| Change in Fund Balance | 75,217 | 4,195 | (2,172) | 13,626 | 90,866 |
| Fund Balance - July 1 | <u>108,227</u> | <u>11,457</u> | <u>32,720</u> | <u>246,673</u> | <u>399,077</u> |
| Fund Balance - June 30 | <u>\$ 183,444</u> | <u>\$ 15,652</u> | <u>\$ 30,548</u> | <u>\$ 260,299</u> | <u>\$ 489,943</u> |

VILLAGE OF LAKE ORION
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2012

| | <u>Major Street</u> | <u>Local Street</u> | <u>Total</u> |
|--|-------------------------|-------------------------|--------------------------|
| <u>ASSETS</u> | | | |
| Cash | \$ 75,681 | \$ 81,284 | \$ 156,965 |
| Due from State | <u>18,968</u> | <u>8,200</u> | <u>27,168</u> |
| Total Assets | \$ <u><u>94,649</u></u> | \$ <u><u>89,484</u></u> | \$ <u><u>184,133</u></u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | | |
| Liabilities: | | | |
| Accounts Payable | \$ 161 | \$ 528 | \$ 689 |
| Fund Balance: | | | |
| Restricted for Streets | <u>94,488</u> | <u>88,956</u> | <u>183,444</u> |
| Total Liabilities and Fund Balance | \$ <u><u>94,649</u></u> | \$ <u><u>89,484</u></u> | \$ <u><u>184,133</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, 2012

| | <u>Major Streets</u> | <u>Local Streets</u> | <u>Total</u> |
|---|--------------------------|--------------------------|--------------------------|
| <u>Revenues:</u> | | | |
| State-Shared Revenue | \$ 112,923 | \$ 49,071 | \$ 161,994 |
| Interest Earned | 124 | 212 | 336 |
| Other Revenues | - | 3,679 | 3,679 |
| Total Revenues | <u>113,047</u> | <u>52,962</u> | <u>166,009</u> |
| <u>Expenditures:</u> | | | |
| Highways, Streets, Sidewalks and Other Maintenance | <u>38,413</u> | <u>38,379</u> | <u>76,792</u> |
| Total Expenditures | <u>38,413</u> | <u>38,379</u> | <u>76,792</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>74,634</u> | <u>14,583</u> | <u>89,217</u> |
| Other Financing Sources (Uses): | | | |
| Operating Transfers In | - | 18,000 | 18,000 |
| Operating Transfers Out | <u>(18,000)</u> | <u>(14,000)</u> | <u>(32,000)</u> |
| Total Other Financing Sources (Uses) | <u>(18,000)</u> | <u>4,000</u> | <u>(14,000)</u> |
| Change in Fund Balance | 56,634 | 18,583 | 75,217 |
| Fund Balance - July 1 | <u>37,854</u> | <u>70,373</u> | <u>108,227</u> |
| Fund Balance - June 30 | \$ <u><u>94,488</u></u> | \$ <u><u>88,956</u></u> | \$ <u><u>183,444</u></u> |

VILLAGE OF LAKE ORION
Nonmajor Debt Service Funds
Combining Balance Sheet
June 30, 2012

| | <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 | \$ 14,755 | \$ 897 | \$ 15,652 |
| <u>LIABILITIES AND FUND BALANCE</u> | | | |
| Liabilities | \$ - | \$ - | \$ - |
| Fund Balance: | | | |
| Restricted for Debt Service | 14,755 | 897 | 15,652 |
| Total Liabilities and Fund Balance | \$ 14,755 | \$ 897 | \$ 15,652 |

VILLAGE OF LAKE ORION
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2012

| | <u>1998</u> <u>G.O. Bonds</u> | <u>North Shore</u> <u>Bridge</u> | <u>Total</u> |
|--|----------------------------------|-------------------------------------|--------------|
| <u>Revenues:</u> | | | |
| Property Taxes | \$ 208,455 | \$ - | \$ 208,455 |
| Interest Income | 8 | 2 | 10 |
| Total Revenues | 208,463 | 2 | 208,465 |
| <u>Expenditures:</u> | | | |
| Principal | 190,000 | 10,000 | 200,000 |
| Interest and Other Charges | 14,560 | 3,710 | 18,270 |
| Total Expenditures | 204,560 | 13,710 | 218,270 |
| Excess (Deficiency) of Revenues Over Expenditures | 3,903 | (13,708) | (9,805) |
| <u>Other Financing Sources (Uses):</u> | | | |
| Operating Transfer In | - | 14,000 | 14,000 |
| Change in Fund Balance | 3,903 | 292 | 4,195 |
| Fund Balance - July 1 | 10,852 | 605 | 11,457 |
| Fund Balance - June 30 | \$ 14,755 | \$ 897 | \$ 15,652 |

VILLAGE OF LAKE ORION
Combined Balance Sheet
Component Unit - DDA
June 30, 2012

| | <u>Downtown Development Authority</u> | <u>DDA Property Acquisition Fund</u> | <u>Total</u> |
|-----------------------------|--|---|---------------------|
| <u>Assets</u> | | | |
| Cash | \$ 125,396 | \$ 8,544 | \$ 133,940 |
| Delinquent Taxes Receivable | 4,211 | - | 4,211 |
| Due from State | 10,040 | - | 10,040 |
| Prepaid Expenditures | <u>2,620</u> | <u>-</u> | <u>2,620</u> |
| Total Assets | <u>\$ 142,267</u> | <u>\$ 8,544</u> | <u>\$ 150,811</u> |

Liabilities and Fund Balance

Liabilities:

| | | | |
|------------------------------------|-------------------|-----------------|-------------------|
| Accounts Payable | \$ 26,354 | \$ - | \$ 26,354 |
| Deferred Revenue | <u>4,211</u> | <u>-</u> | <u>4,211</u> |
| Total Liabilities | 30,565 | - | 30,565 |
| Fund Balance | <u>111,702</u> | <u>8,544</u> | <u>120,246</u> |
| Total Liabilities and Fund Balance | <u>\$ 142,267</u> | <u>\$ 8,544</u> | <u>\$ 150,811</u> |

Reconciliation to Statement of Net Assets (page 11):

| | |
|--|---------------------|
| Fund Balance at June 30, 2012 | \$ 120,246 |
| Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 3,285,102 |
| Long-term liabilities, including long term advance, are not due and payable in the current period and therefore are not reported in the funds. | <u>(1,080,000)</u> |
| Net Assets of Governmental Activities-Component Unit | <u>\$ 2,325,348</u> |

VILLAGE OF LAKE ORION
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
Component Unit - DDA
June 30, 2012

| | Downtown Development Authority | DDA Property Acquisition Fund | Total |
|--|---|--|--------------|
| <u>Revenues</u> | | | |
| Property Taxes | \$ 517,223 | \$ - | \$ 517,223 |
| Intergovernmental: | | | |
| Federal, State and Local | 63,490 | - | 63,490 |
| Charges for Services | 27,397 | - | 27,397 |
| Interest | 2,127 | 23 | 2,150 |
| Other | 83,299 | - | 83,299 |
| Total Revenues | 693,536 | 23 | 693,559 |
| <u>Expenditures</u> | | | |
| Community Development | 448,943 | - | 448,943 |
| Debt Service: | | | |
| Principal | 120,000 | - | 120,000 |
| Interest and Other Charges | 12,000 | - | 12,000 |
| Capital Outlay | 1,156,345 | - | 1,156,345 |
| Total Expenditures | 1,737,288 | - | 1,737,288 |
| Excess (Deficiency) of Revenues Over Expenditures | (1,043,752) | 23 | (1,043,729) |
| <u>Other Financing Sources (Uses)</u> | | | |
| Transfers In | - | 5,000 | 5,000 |
| Transfers Out | (5,000) | - | (5,000) |
| Total Other Financing Sources (Uses) | (5,000) | 5,000 | - |
| Net Change in Fund Balance | (1,048,752) | 5,023 | (1,043,729) |
| Fund Balance - Beginning | 1,160,454 | 3,521 | 1,163,975 |
| Fund Balance - Ending | \$ 111,702 | \$ 8,544 | \$ 120,246 |

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

Net Change in Fund Balance at June 30, 2012 \$ (1,043,729)

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 | 1,156,345 |
| Depreciation Expense | (82,892) |

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

| | |
|----------------------|---------|
| Principal Repayments | 120,000 |
|----------------------|---------|

Change in Net Assets-Component Unit \$ 149,724

VILLAGE OF LAKE ORION
Schedule of Indebtedness
Governmental Funds
June 30, 2012

1998 General Obligation Unlimited Tax Bonds

Date of Issue: April 1, 1998

Total Issue \$ 1,700,000

Interest Due May 1 and November 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> |
|----------------------|-------------------------|-------------------------|--------------------------------|-------------------------|
| 4.85% | 11/01/2012 | \$ 200,000 | \$ 4,850 | \$ 204,850 |

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% | 10/01/12 | \$ 10,000 | \$ 4,250 | \$ 14,250 |
| 5.00% | 10/01/13 | 15,000 | 3,750 | 18,750 |
| 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 |
| | | \$ 85,000 | \$ 15,500 | \$ 100,500 |

VILLAGE OF LAKE ORION
Schedule of Indebtedness
Proprietary Fund
June 30, 2012

2003 General Obligation Unlimited Tax
Water Refunding Bonds
Date of Issue - April 2003
Total Issue \$1,295,000
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> |
|----------------------|-------------------------|-------------------------|--------------------------------|-------------------------|
| 3.63% | 04/01/13 | \$ 140,000 | \$ 5,075 | \$ 145,075 |

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:

| | | | | |
|-------|------------|------------|-----------|------------|
| 2.50% | 04/01/2013 | \$ 6,910 | \$ 4,142 | \$ 11,052 |
| 2.50% | 04/01/2014 | 7,075 | 3,970 | 11,045 |
| 2.50% | 04/01/2015 | 7,240 | 3,793 | 11,033 |
| 2.50% | 04/01/2016 | 7,438 | 3,612 | 11,050 |
| 2.50% | 04/01/2017 | 7,637 | 3,426 | 11,063 |
| 2.50% | 04/01/2018 | 7,802 | 3,235 | 11,037 |
| 2.50% | 04/01/2019 | 8,001 | 3,040 | 11,041 |
| 2.50% | 04/01/2020 | 8,232 | 2,840 | 11,072 |
| 2.50% | 04/01/2021 | 8,430 | 2,634 | 11,064 |
| 2.50% | 04/01/2022 | 8,629 | 2,424 | 11,053 |
| 2.50% | 04/01/2023 | 8,860 | 2,208 | 11,068 |
| 2.50% | 04/01/2024 | 9,092 | 1,986 | 11,078 |
| 2.50% | 04/01/2025 | 9,323 | 1,759 | 11,082 |
| 2.50% | 04/01/2026 | 9,554 | 1,526 | 11,080 |
| 2.50% | 04/01/2027 | 9,786 | 1,286 | 11,072 |
| 2.50% | 04/01/2028 | 10,050 | 1,042 | 11,092 |
| 2.50% | 04/01/2029 | 10,282 | 790 | 11,072 |
| 2.50% | 04/01/2030 | 10,545 | 534 | 11,079 |
| 2.50% | 04/01/2031 | 10,811 | 270 | 11,081 |
| | | \$ 165,697 | \$ 44,517 | \$ 210,214 |

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:

| | | | | |
|-------|------------|-----------|-----------|-----------|
| 2.20% | 04/01/2013 | \$ 1,521 | \$ 2,090 | \$ 3,611 |
| 2.45% | 04/01/2014 | 1,587 | 2,056 | 3,643 |
| 3.45% | 04/01/2015 | 1,653 | 2,018 | 3,671 |
| 3.75% | 04/01/2016 | 1,719 | 1,961 | 3,680 |
| 3.90% | 04/01/2017 | 1,785 | 1,896 | 3,681 |
| 4.35% | 04/01/2018 | 1,851 | 1,826 | 3,677 |
| 4.70% | 04/01/2019 | 1,951 | 1,746 | 3,697 |
| 4.90% | 04/01/2020 | 2,050 | 1,654 | 3,704 |
| 5.10% | 04/01/2021 | 2,149 | 1,554 | 3,703 |
| 5.25% | 04/01/2022 | 2,248 | 1,444 | 3,692 |
| 5.45% | 04/01/2023 | 2,380 | 1,326 | 3,706 |
| 5.45% | 04/01/2024 | 2,512 | 1,196 | 3,708 |
| 5.70% | 04/01/2025 | 2,645 | 1,060 | 3,705 |
| 5.70% | 04/01/2026 | 2,777 | 910 | 3,687 |
| 5.90% | 04/01/2027 | 2,942 | 750 | 3,692 |
| 5.90% | 04/01/2028 | 3,075 | 577 | 3,652 |
| 5.90% | 04/01/2029 | 3,273 | 396 | 3,669 |
| 5.90% | 04/01/2030 | 3,438 | 202 | 3,640 |
| | | \$ 41,556 | \$ 24,662 | \$ 66,218 |

VILLAGE OF LAKE ORION
Schedule of Indebtedness
Proprietary Fund
June 30, 2012

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% | 10/01/2012 | \$ - | \$ 5,181 | \$ 5,181 |
| 2.50% | 10/01/2013 | - | 5,181 | 5,181 |
| 2.50% | 10/01/2014 | 8,118 | 5,079 | 13,197 |
| 2.50% | 10/01/2015 | 8,321 | 4,874 | 13,195 |
| 2.50% | 10/01/2016 | 8,524 | 4,664 | 13,188 |
| 2.50% | 10/01/2017 | 8,727 | 4,448 | 13,175 |
| 2.50% | 10/01/2018 | 8,970 | 4,227 | 13,197 |
| 2.50% | 10/01/2019 | 9,173 | 4,000 | 13,173 |
| 2.50% | 10/01/2020 | 9,417 | 3,768 | 13,185 |
| 2.50% | 10/01/2021 | 9,660 | 3,529 | 13,189 |
| 2.50% | 10/01/2022 | 9,863 | 3,285 | 13,148 |
| 2.50% | 10/01/2023 | 10,148 | 3,035 | 13,183 |
| 2.50% | 10/01/2024 | 10,391 | 2,778 | 13,169 |
| 2.50% | 10/01/2025 | 10,635 | 2,515 | 13,150 |
| 2.50% | 10/01/2026 | 10,919 | 2,246 | 13,165 |
| 2.50% | 10/01/2027 | 11,203 | 1,970 | 13,173 |
| 2.50% | 10/01/2028 | 11,446 | 1,687 | 13,133 |
| 2.50% | 10/01/2029 | 11,730 | 1,397 | 13,127 |
| 2.50% | 10/01/2030 | 12,055 | 1,099 | 13,154 |
| 2.50% | 10/01/2031 | 12,339 | 794 | 13,133 |
| 2.50% | 10/01/2032 | 12,664 | 482 | 13,146 |
| 2.50% | 10/01/2033 | 12,948 | 162 | 13,110 |
| | | \$ <u>207,251</u> | \$ <u>66,401</u> | \$ <u>273,652</u> |

