

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

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2016**

VILLAGE OF LAKE ORION
For the Year Ended June 30, 2016
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FINANCIAL SECTION

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Independent Auditor's Report

November 14, 2016

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Lake Orion, Michigan, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Lake Orion, Michigan, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Members of the Village Council
Village of Lake Orion, Michigan
November 14, 2016

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Respectfully,

A handwritten signature in black ink, appearing to read "PSLZ LLP", is written over a faint, larger version of the same text.

PSLZ LLP

Certified Public Accountants



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Management's Discussion and Analysis

As management of the Village of Lake Orion, we offer readers of the Village of Lake Orion's financial statements this narrative overview and analysis of the financial activities of the Village of Lake Orion for the fiscal year ended June 30, 2016. 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 \$9,185,151 (*net position*). Of this amount, \$379,761 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the most recent fiscal year, the Village of Lake Orion's governmental funds reported combined ending fund balances of \$1,141,377. Approximately 40 percent of this total amount, \$461,344 is *available for spending* at the government's discretion (*unrestricted fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$355,408, or 22 percent of total general fund expenditures including operating transfers.
- The Village of Lake Orion's total debt increased by \$63,224 (5 percent) during the current fiscal year, due to the issuance of County bonds of \$79,348 and an installment loan for police vehicles of \$49,793 less annual debt service payments made.

Overview of the Financial Statements

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

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

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

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

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

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

The government-wide financial statements can be found on pages 11-13 of this report.

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

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

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

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

The basic governmental fund financial statements can be found on pages 14-16 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

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

The basic fiduciary fund financial statement can be found on page 20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-45 of this report.

Government-wide Financial Analysis

Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,185,152 at the close of the most recent fiscal year. Of the Village of Lake Orion's net position, 89 percent reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Village of Lake Orion uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net position decreased by \$827,516 during the current fiscal year.

Village of Lake Orion's Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 1,326,629	\$ 1,489,702	\$ 2,673,526	\$ 2,773,835	\$ 4,000,155	\$ 4,263,537
Capital Assets	3,544,826	3,520,304	5,638,581	5,808,856	9,183,407	9,329,160
Total Assets	4,871,455	5,010,006	8,312,107	8,582,691	13,183,562	13,592,697
Deferred Outflows	124,721	85,034	-	-	124,721	85,034
Long-term liabilities outstanding	2,782,738	2,174,141	993,031	957,485	3,775,769	3,131,626
Other liabilities	80,838	295,356	162,111	131,204	242,949	426,560
Total Liabilities	2,863,576	2,469,497	1,155,142	1,088,689	4,018,718	3,558,186
Deferred Inflows of Resources	104,414	106,878	-	-	104,414	106,878
Net Position:						
Net Investment in capital assets	3,482,686	3,475,304	4,651,368	4,857,189	8,134,054	8,332,493
Restricted	671,336	543,627	-	-	671,336	543,627
Unrestricted (Deficit)	(2,125,836)	(1,500,266)	2,505,597	2,636,813	379,761	1,136,547
Total Net Position	\$ 2,028,186	\$ 2,518,665	\$ 7,156,965	\$ 7,494,002	\$ 9,185,151	\$ 10,012,667

Village of Lake Orion - Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$ 630,582	\$ 643,388	\$ 1,326,306	\$ 1,274,132	\$ 1,956,888	\$ 1,917,520
Operating Grants & Contributions	571,772	520,093	-	-	571,772	520,093
Capital Grants & Contributions	147	12,437	30,739	17,390	30,886	29,827
General Revenues:						
Property Taxes	957,326	926,498	-	-	957,326	926,498
State Shared Revenues	249,448	250,345	-	-	249,448	250,345
Unrestricted Investment Earnings	4,777	2,592	23,969	19,463	28,746	22,055
Gain(Loss) on Disposal of Assets	-	428,806	-	-	-	428,806
Transfers	21,950	111,333	(21,950)	(111,333)	-	-
Total Revenues	<u>2,436,002</u>	<u>2,895,492</u>	<u>1,359,064</u>	<u>1,199,652</u>	<u>3,795,066</u>	<u>4,095,144</u>
Expenses:						
General Government	838,345	650,618	-	-	838,345	650,618
Public Safety	934,818	734,601	-	-	934,818	734,601
Public Works	1,054,372	822,187	-	-	1,054,372	822,187
Community Development	67,385	71,408	-	-	67,385	71,408
Recreation and Cultural	29,734	48,486	-	-	29,734	48,486
Interest on Long-Term Debt	1,827	3,483	-	-	1,827	3,483
Water and Sewer	-	-	1,696,101	1,639,393	1,696,101	1,639,393
Total Expenses	<u>2,926,481</u>	<u>2,330,783</u>	<u>1,696,101</u>	<u>1,639,393</u>	<u>4,622,582</u>	<u>3,970,176</u>
Change in Net Position	<u>\$ (490,479)</u>	<u>\$ 564,709</u>	<u>\$ (337,037)</u>	<u>\$ (439,741)</u>	<u>\$ (827,516)</u>	<u>\$ 124,968</u>

Governmental activities. Governmental activities decreased net position by \$490,479, as compared to an increase of \$564,709 in the prior year. Fiscal year 2015 included the gain on the sale of the former Village Hall building of \$428,806.

Business-type activities. Business-type activities decreased net position by \$337,037, which reflect the activity in the Village's Water and Sewer Fund. In fiscal year 2016, the Water and Sewer Fund reflected an operating loss of \$347,405 which includes \$249,623 of depreciation expense.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$1,141,377, approximately 40 percent of this total amount (\$461,344) constitutes unrestricted *fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *nonspendable* (prepaid expenditures) or *restricted* to indicate that it is not available for new spending because it has already been committed 1) for police, streets, debt service, capital projects, or to generate income to pay for the perpetual care of the municipal cemetery.

Total governmental fund balances increased \$53,909 for the 2015-2016 fiscal year as compared to a decrease of \$185,774 in the 2014-2015 fiscal year.

The General Fund is the chief operating fund of the Village of Lake Orion. At the end of the current fiscal year, unassigned fund balance of the general fund was \$355,408, while total fund balance was \$376,032. Unassigned fund balance represents 22 percent of total general fund expenditures including operating transfers, while total fund balance represents 23 percent of that same amount. The fund balance of the Village of Lake Orion's General Fund decreased \$17,597 during the current fiscal year.

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

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$2,505,597. The Water and Sewer Fund had an operating loss of \$347,405 at year end, and a total net loss of \$337,037, as compared to an operating loss of \$351,010 and total net loss of \$439,741 in the prior fiscal year.

General Fund Budgetary Highlights

There was an \$42,876 increase in budgeted revenues between the original budget and the final amended budget. The adjustments were to account for a potential reimbursement of personal property taxes by the State (\$39,500). The budgeted operating transfers out were increased by \$83,190 to account for transfers to the Capital Improvement Fund for equipment purchases.

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 \$9,183,407 (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 1 percent increase for governmental activities, and a 3 percent decrease in business-type activities. Governmental capital assets additions include vehicles and equipment purchase during fiscal year 2016. Business-type activities include water and sewer fund additions of the Oakland-Macomb Interceptor (\$79,348).

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 \$1,017,213, and an installment loan of \$32,140. Of these amounts, \$62,140 is governmental, and \$987,213 is business-type.

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 \$600,000 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 2016/2017 budget year, the Village anticipates a slight increase in property tax revenue as well as a slight increase in state shared revenue received from the State of Michigan. However, the Village has experienced significant decreases in property tax revenues and investment earnings over the last several years.

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

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

VILLAGE OF LAKE ORION
Statement of Net Position
June 30, 2016

	Primary Government			Component Unit - DDA
	Governmental Activities	Business-type Activities	Total	
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,068,659	\$ 1,639,230	\$ 2,707,889	\$ 230,709
Receivables (net of allow.for uncollectibles)	166,538	434,296	600,834	-
Due from Other Governmental Units	46,388	-	46,388	-
Prepaid Expenditures	45,044	-	45,044	1,346
Total Current Assets	<u>1,326,629</u>	<u>2,073,526</u>	<u>3,400,155</u>	<u>232,055</u>
Advance to Component Unit	-	600,000	600,000	-
Capital Assets , not being depreciated	498,484	-	498,484	-
Capital Assets, net of accumulated depreciation	3,046,342	5,638,581	8,684,923	3,078,294
Net Capital Assets	<u>3,544,826</u>	<u>5,638,581</u>	<u>9,183,407</u>	<u>3,078,294</u>
Total Assets	<u>4,871,455</u>	<u>8,312,107</u>	<u>13,183,562</u>	<u>3,310,349</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflows related to Pensions	<u>124,721</u>	-	<u>124,721</u>	-
<u>LIABILITIES</u>				
Accounts Payable	52,091	162,111	214,202	5,981
Accrued Liabilities	28,747	-	28,747	-
Noncurrent Liabilities:				
Other Post Employment Benefit Liability	818,373	-	818,373	-
Net Pension Liability	1,732,517	-	1,732,517	-
Compensated Absences	169,708	5,818	175,526	-
Due within one year	30,564	44,796	75,360	120,000
Due in more than one year	31,576	942,417	973,993	480,000
Total Liabilities	<u>2,863,576</u>	<u>1,155,142</u>	<u>4,018,718</u>	<u>605,981</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Taxes Levied for the following year	<u>104,414</u>	-	<u>104,414</u>	-
<u>NET POSITION</u>				
Net Investment in Capital Assets	3,482,686	4,651,368	8,134,054	2,478,294
Restricted for:				
Police	20,000	-	20,000	-
Streets	386,345	-	386,345	-
Debt Service	2,358	-	2,358	-
Perpetual Care	262,633	-	262,633	-
Unrestricted (Deficit)	<u>(2,125,836)</u>	<u>2,505,597</u>	<u>379,761</u>	<u>226,074</u>
Total Net Position	<u>\$ 2,028,186</u>	<u>\$ 7,156,965</u>	<u>\$ 9,185,151</u>	<u>\$ 2,704,368</u>

VILLAGE OF LAKE ORION
Statement of Activities
For the Year Ended June 30, 2016

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Functions/Programs</u>				
Primary Government:				
Governmental Activities:				
General Government	\$ 838,345	\$ 196,136	\$ 430	\$ -
Public Safety	934,818	83,135	355,750	-
Public Works	1,054,372	331,811	215,592	-
Community Development	67,385	10,685	-	147
Recreation and Cultural	29,734	8,815	-	-
Interest on Long-Term Debt	1,827	-	-	-
Total Governmental Activities	2,926,481	630,582	571,772	147
Business-type Activities:				
Water and Sewer	1,696,101	1,326,306	-	30,739
Total Primary Government	\$ 4,622,582	\$ 1,956,888	\$ 571,772	\$ 30,886
Component Unit-DDA	\$ 586,553	\$ 109,666	\$ 68,747	\$ -

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

Change in Net Position
Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position

Primary Government		Component	
Governmental Activities	Business-type Activities	Total	Unit - DDA
\$ (641,779)	\$ -	\$ (641,779)	\$ -
(495,933)	-	(495,933)	-
(506,969)	-	(506,969)	-
(56,553)	-	(56,553)	-
(20,919)	-	(20,919)	-
(1,827)	-	(1,827)	-
(1,723,980)	-	(1,723,980)	-
-	(339,056)	(339,056)	-
(1,723,980)	(339,056)	(2,063,036)	-
-	-	-	(408,140)
957,326	-	957,326	520,222
249,448	-	249,448	-
4,777	23,969	28,746	488
21,950	(21,950)	-	-
1,233,501	2,019	1,235,520	520,710
(490,479)	(337,037)	(827,516)	112,570
2,518,665	7,494,002	10,012,667	2,591,798
\$ 2,028,186	\$ 7,156,965	\$ 9,185,151	\$ 2,704,368

VILLAGE OF LAKE ORION

Balance Sheet

Governmental Funds

June 30, 2016

	<u>General</u>	<u>Public Works</u>	<u>Police</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 340,549	\$ 92,137	\$ 20,566	\$ 615,407	\$ 1,068,659
Receivables (net of allowance for uncollectibles)	53,357	-	111,506	1,675	166,538
Due from State	9,184	-	-	37,204	46,388
Prepaid Expenditures	<u>8,697</u>	<u>19,667</u>	<u>16,680</u>	<u>-</u>	<u>45,044</u>
Total Assets	\$ <u>411,787</u>	\$ <u>111,804</u>	\$ <u>148,752</u>	\$ <u>654,286</u>	\$ <u>1,326,629</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</u>					
Liabilities:					
Accounts Payable	\$ 28,945	\$ 4,368	\$ 15,828	\$ 2,950	\$ 52,091
Accrued and Other Liabilities	<u>6,810</u>	<u>13,427</u>	<u>8,510</u>	<u>-</u>	<u>28,747</u>
Total Liabilities	<u>35,755</u>	<u>17,795</u>	<u>24,338</u>	<u>2,950</u>	<u>80,838</u>
Deferred Inflows of Resources:					
Taxes Levied for the following year	<u>-</u>	<u>-</u>	<u>104,414</u>	<u>-</u>	<u>104,414</u>
Fund Balances:					
Nonspendable-Prepays	8,697	-	-	-	8,697
Restricted for:					
Police	-	-	20,000	-	20,000
Streets	-	-	-	386,345	386,345
Debt Service	-	-	-	2,358	2,358
Perpetual Care	-	-	-	262,633	262,633
Committed for Public Works	-	94,009	-	-	94,009
Assigned for Subsequent Year	11,927	-	-	-	11,927
Unassigned	<u>355,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>355,408</u>
Total Fund Balance	<u>376,032</u>	<u>94,009</u>	<u>20,000</u>	<u>651,336</u>	<u>1,141,377</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>411,787</u>	\$ <u>111,804</u>	\$ <u>148,752</u>	\$ <u>654,286</u>	

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

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,544,826
Net Other Post Employment Benefit Liability	(818,373)
Net Pension Liabilities are not reported in the funds	(1,732,517)
Deferred Outflows related to Pensions	124,721
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(231,848)</u>
Net Position of Governmental Activities	\$ <u>2,028,186</u>

VILLAGE OF LAKE ORION
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

	<u>General</u>	<u>Public Works</u>	<u>Police</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property Taxes	\$ 957,326	\$ -	\$ -	\$ -	\$ 957,326
Intergovernmental:					
Federal, State and Local	249,595	-	355,750	215,592	820,937
Charges for Services	189,021	132,263	12,004	12,700	345,988
Fines and Forfeitures	-	-	68,099	-	68,099
Interest	1,497	232	-	3,048	4,777
Other	186,589	15,383	3,032	11,921	216,925
Total Revenues	<u>1,584,028</u>	<u>147,878</u>	<u>438,885</u>	<u>243,261</u>	<u>2,414,052</u>
Expenditures					
Current:					
General Government	598,007	-	-	-	598,007
Public Safety	-	-	725,518	-	725,518
Public Works	179,694	406,977	-	100,738	687,409
Community Development	67,385	-	-	-	67,385
Recreation and Cultural	23,466	-	-	-	23,466
Other Functions	63,900	-	-	-	63,900
Debt Service:					
Principal	-	-	17,653	15,000	32,653
Interest and Other Charges	-	-	-	1,827	1,827
Capital Outlay	-	-	-	181,928	181,928
Total Expenditures	<u>932,452</u>	<u>406,977</u>	<u>743,171</u>	<u>299,493</u>	<u>2,382,093</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>651,576</u>	<u>(259,099)</u>	<u>(304,286)</u>	<u>(56,232)</u>	<u>31,959</u>
Other Financing Sources (Uses)					
Transfers In	-	273,010	334,263	214,201	821,474
Transfers Out	<u>(669,173)</u>	<u>(70,114)</u>	<u>(9,977)</u>	<u>(50,260)</u>	<u>(799,524)</u>
Total Other Financing Sources (Uses)	<u>(669,173)</u>	<u>202,896</u>	<u>324,286</u>	<u>163,941</u>	<u>21,950</u>
Net Change in Fund Balance	(17,597)	(56,203)	20,000	107,709	53,909
Fund Balance-Beginning	<u>393,629</u>	<u>150,212</u>	<u>-</u>	<u>543,627</u>	<u>1,087,468</u>
Fund Balance-Ending	<u>\$ 376,032</u>	<u>\$ 94,009</u>	<u>\$ 20,000</u>	<u>\$ 651,336</u>	<u>\$ 1,141,377</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, 2016

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

Net change in fund balance - total governmental funds	\$	53,909
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay		181,928
Capital Outlay-departmental		8,758
Depreciation Expense		(166,164)

Change in Other Post Employment Benefit Liability		(122,970)
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Change in Net Pension Liability		(418,262)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal Repayments		32,653
Installment Loan Proceeds		(49,793)
Increase in Compensated Absences		(10,538)

Change in net position in governmental activities	\$	<u>(490,479)</u>
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VILLAGE OF LAKE ORION

Balance Sheet
Proprietary Fund
June 30, 2016

	<u>Enterprise Fund</u> <u>Water & Sewer</u>
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,639,230
Accounts Receivable	434,296
Total Current Assets	<u>2,073,526</u>
Advance to Component Unit	<u>600,000</u>
Property, Plant and Equipment	12,480,704
Less: Accumulated Depreciation	<u>(6,842,123)</u>
Net Property, Plant and Equipment	<u>5,638,581</u>
Total Assets	\$ <u><u>8,312,107</u></u>
<u>LIABILITIES AND NET POSITION</u>	
Current Liabilities:	
Accounts Payable	\$ 162,111
Compensated Absences Payable	500
County Bonds Payable	44,796
Total Current Liabilities	<u>207,407</u>
Long-Term Liabilities:	
Compensated Absences Payable	5,318
County Bonds Payable	<u>942,417</u>
Total Long-Term Liabilities	<u>947,735</u>
Total Liabilities	<u>1,155,142</u>
Net Position:	
Net Investment in Capital Assets	4,651,368
Unrestricted	<u>2,505,597</u>
Total Net Position	<u>7,156,965</u>
Total Liabilities and Net Position	\$ <u><u>8,312,107</u></u>

VILLAGE OF LAKE ORION
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2016

	Enterprise Fund
	Water & Sewer
<u>Operating Revenues:</u>	
Charges for Services	\$ 1,294,833
Penalty Charges	23,926
Miscellaneous	7,547
Total Operating Revenues	1,326,306
<u>Operating Expenses:</u>	
Salaries and Fringe Benefits	57,755
Water Purchases	403,737
Sewage Treatment	671,006
General and Administrative	113,865
Supplies	10,585
Contract Services	124,656
Equipment Repairs & Rentals	42,484
Depreciation and Amortization	249,623
Total Operating Expenses	1,673,711
Operating Income (Loss)	(347,405)
<u>Non-Operating Revenues (Expenses):</u>	
State Grants	23,389
Interest Earned	23,969
Interest Expense and Related Fees	(22,390)
Total Non-Operating Revenues (Expenses)	24,968
Income before Contributions and Transfers	(322,437)
Transfer Out to Other Funds	(21,950)
Capital Contributions - Tap Fees	7,350
Net Income (Loss)	(337,037)
Net Position, Beginning	7,494,002
Net Position, Ending	\$ 7,156,965

VILLAGE OF LAKE ORION
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2016

	Enterprise Fund
	Water & Sewer
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from customers and users	\$ 1,348,090
Payments to Suppliers	(1,335,426)
Payments to Employees	(57,755)
Net Cash Provided by Operating Activities	(45,091)
<u>CASH FLOWS FROM NONCAPITAL FINANCING</u>	
<u>ACTIVITIES</u>	
Transfers Out to Other Funds	(21,950)
<u>CASH FLOWS FROM CAPITAL AND RELATED</u>	
<u>FINANCING ACTIVITIES</u>	
Capital Contributions	7,350
State Grants Proceeds	23,389
Construction of Capital Assets	(79,348)
Proceeds from County Bond Debt	79,348
Principal Paid on Capital Debt	(43,802)
Interest Paid on Capital Debt	(22,390)
Net Cash Provided (Used) by Capital and Related Financing Activities	(35,453)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Earned	23,969
Net Cash Provided (Used) by Investing Activities	23,969
Net Increase (Decrease) in Cash and Cash Equivalents	(78,525)
Cash and Cash Equivalents, Beginning	1,717,755
Cash and Cash Equivalents, Ending	\$ 1,639,230
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided (Used) by Operating Activities:</u>	
Operating Income (Loss)	\$ (347,405)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization Expense	249,623
(Increase) Decrease in Receivables	(98,216)
(Increase) Decrease in Advance to Component Unit	120,000
Increase (Decrease) in Accounts Payable	30,907
Net Cash Provided by Operating Activities	\$ (45,091)

VILLAGE OF LAKE ORION
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Employee Retirement Plan</u>	<u>Agency Fund</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ -	\$ 98,325
Investments, at fair value:		
Mutual Funds	82,514	-
Total Assets	<u>82,514</u>	<u>98,325</u>
<u>LIABILITIES</u>		
Due to Other	<u>-</u>	<u>98,325</u>
<u>NET POSITION</u>		
Held in Trust for Retirement Benefits	\$ <u>82,514</u>	\$ <u>-</u>

VILLAGE OF LAKE ORION
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Employee Retirement Plan</u>
Additions:	
Contributions:	
Employer	\$ 10,000
Investment Earnings:	
Net increase(decrease) in fair value of investments	<u>404</u>
Total Additions	<u>10,404</u>
Deductions:	
Fees	<u>355</u>
Change in Net Position	10,049
Net Position - Beginning of Year	<u>72,465</u>
Net Position - End of Year	\$ <u>82,514</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2016

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 2,975 residents in the areas of police, refuse removal, parks and recreation, road construction, lighting, maintenance, and water and sewer.

As required by generally accepted accounting principles, these financial statements present the Village of Lake Orion and its component units, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely Presented Component Unit

Downtown Development Authority

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

B. Government-Wide and Fund Financial Statements

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

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2016

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

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, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

The capital project fund is used to account for the financial resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary Funds.)

Permanent funds are used to report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs. This includes the perpetual care fund for the municipal cemetery.

Proprietary Funds

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

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

Fiduciary Funds

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

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

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

Estimates

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

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

2. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. All trade and property tax receivables are shown net of allowance for uncollectible accounts, which are recorded at \$-0- at June 30, 2016.

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of capitalized value of the assets constructed. Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

4. Compensated Absences

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

5. Long-term Obligations

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

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

6. Fund Equity

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

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

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

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

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

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2016

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

A. Budgetary Information – Continued

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

1. The Village Charter requires two regular council meetings per month. By the first meeting in April, a proposed operating budget must be submitted to the Village Council for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and means of financing them for the upcoming year.
2. A public hearing and adoption of the budget is required by the first meeting in May.
3. On or before June 15, the tax rate must be set and the budget is legally enacted through 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 fiscal year 2016, several budget amendments were made and are reflected in the financial statements.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

None of the funds have a deficit fund balance as of June 30, 2016.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The budgets for the General and Special Revenue Funds are adopted at the activity level. There were no expenditures in excess of budget appropriations as of June 30, 2016.

	Final Budget	Actual	Excess over Appropriation
General Fund:			
Treasurer	\$ 90,550	\$ 91,197	\$ 647
Professional Services	67,397	78,969	11,572
Planning and Zoning	64,259	67,385	3,126

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2016

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, 2016, the Village's book balance of its deposits was \$2,805,739; the total book balance was \$2,806,214, due to \$475 in cash on hand. The bank balance was \$2,825,529 which was exposed to custodial credit risk, as follows:

	<u>Bank</u>
	<u>Balance</u>
Insured by F.D.I.C.	\$1,591,182
Uninsured and Uncollateralized	<u>1,234,347</u>
Total	<u>\$2,825,529</u>

A reconciliation of cash for the primary government follows:

Cash and Cash Equivalents per:	
Statement of Net Position	\$2,707,889
Statement of Fiduciary Net Position	<u>98,325</u>
Total	<u>\$2,806,214</u>

At June 30, 2016, the carrying amount and bank balances of the component units of the Village of Lake Orion are as follows:

	<u>Carrying</u>	<u>Bank</u>	<u>FDIC</u>
	<u>Amount</u>	<u>Balance</u>	<u>Insured</u>
Downtown Development Authority	<u>\$ 230,709</u>	<u>\$ 230,709</u>	<u>\$ 230,709</u>

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2016

III. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Interest Rate Risk. The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Villages deposits and investments, including the Downtown Development Authority, consisted of the following:

<u>Deposits and Investments</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Primary Government:		
Savings and Checking Accounts	\$ 1,272,027	Demand
Pooled Investments(Share price=\$1)	553,502	Demand
Certificates of Deposits- Less than one year	550,000	365 days
Certificates of Deposits- More than one year	<u>450,000</u>	730 days
	<u>\$ 2,825,529</u>	
Trust Funds:		
Mutual Funds – Bonds	\$21,710	N/A
Mutual Funds – Equity	<u>60,804</u>	N/A
	<u>\$ 82,514</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, 2016

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2016 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	406,875	10,251	-	417,126
Street and Road Improvements	2,371,147	-	-	2,371,147
Building and Improvements	1,411,968	39,457	-	1,451,425
Machinery and Equipment	481,280	101,928	-	583,208
Vehicles	556,272	39,050	(18,219)	577,103
	<u>5,227,542</u>	<u>190,686</u>	<u>(18,219)</u>	<u>5,400,009</u>
Less: Accumulated Depreciation:				
Land Improvements	(318,684)	(26,810)	-	(345,494)
Street and Road Improvements	(690,605)	(47,423)	-	(738,028)
Building and Improvements	(286,406)	(55,189)	-	(341,595)
Machinery and Equipment	(442,888)	(36,742)	-	(479,630)
Vehicles	(467,139)	-	18,219	(448,920)
	<u>(2,205,722)</u>	<u>(166,164)</u>	<u>18,219</u>	<u>(2,353,667)</u>
Governmental Activities				
Capital Assets, net	<u>\$ 3,520,304</u>	<u>\$ 24,522</u>	<u>\$ -</u>	<u>\$ 3,544,826</u>

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

General Government	\$ 42,254
Public Safety	38,301
Public Works	79,341
Recreation and Cultural	6,268
	<u>\$ 166,164</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2016

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets – Continued

<u>Business-type Activities:</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Capital Assets, being depreciated:				
Water and Sewer Mains	\$ 11,293,655	\$ 79,348	\$ -	\$ 11,373,003
Equipment	206,988	-	-	206,988
Intangible Assets-Water Lines	900,713	-	-	900,713
	<u>12,401,356</u>	<u>79,348</u>	<u>-</u>	<u>12,480,704</u>
Less: Accumulated Depreciation:				
Water and Sewer Mains	(5,928,778)	(222,375)	-	(6,151,153)
Equipment	(190,846)	(4,730)	-	(195,576)
Intangible Assets-Water Lines	(472,876)	(22,518)	-	(495,394)
	<u>(6,592,500)</u>	<u>(249,623)</u>	<u>-</u>	<u>(6,842,123)</u>
Business-type Activities				
Capital Assets, net	<u>\$ 5,808,856</u>	<u>\$ (170,275)</u>	<u>\$ -</u>	<u>\$ 5,638,581</u>

<u>Component Unit-DDA:</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Capital Assets, being depreciated:				
Land Improvements	\$ 772,568	\$ 18,265	\$ -	\$ 790,833
Street and Road Improvements	3,047,010	-	-	3,047,010
Building and Improvements	499,000	-	-	499,000
Equipment	12,548	625	(998)	12,175
	<u>4,331,126</u>	<u>18,890</u>	<u>(998)</u>	<u>4,349,018</u>
Less: Accumulated Depreciation:				
Land Improvements	(483,973)	(20,393)	-	(504,366)
Street and Road Improvements	(548,950)	(87,731)	-	(636,681)
Building and Improvements	(106,038)	(12,474)	-	(118,512)
Equipment	(11,309)	(854)	998	(11,165)
	<u>(1,150,270)</u>	<u>(121,452)</u>	<u>998</u>	<u>(1,270,724)</u>
Component Unit				
Capital Assets, net	<u>\$ 3,180,856</u>	<u>\$ (102,562)</u>	<u>\$ -</u>	<u>\$ 3,078,294</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2016

III. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers

The composition of interfund transfers as of June 30, 2016, is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Public Works Fund	General Fund	\$ 265,000
Police Fund	General Fund	334,263
Capital Improvement Fund	General Fund	69,910
Capital Improvement Fund	Public Works Fund	70,114
Capital Improvement Fund	Police Fund	9,977
Capital Improvement Fund	Water & Sewer Fund	21,950
Public Works Fund	Cemetery Trust	8,010
Local Street Fund	Major Street Fund	25,000
North Shore Bridge Debt	Local Street Fund	17,250
		<u>\$ 821,474</u>

Transfers represent the following:

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

Transfers to Capital Improvement Fund represent funding for capital projects.

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, 2016:

	<u>Balance July 1, 2015</u>	<u>Add: Additional Debt Incurred</u>	<u>Less: Retirements and Payments on Debt</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Governmental Activities:					
MTF Bonds	\$ 45,000	\$ -	\$ 15,000	\$ 30,000	\$ 15,000
Installment Loan	-	49,793	17,653	32,140	15,564
Compensated Absences	159,170	10,538	-	169,708	-
Total Governmental Activities	<u>204,170</u>	<u>60,331</u>	<u>32,653</u>	<u>231,848</u>	<u>30,564</u>
Business-type Activities:					
County Interceptor Bonds	951,667	79,348	43,802	987,213	44,796
Compensated Absences	5,818	-	-	5,818	-
Total Business-type Activities	<u>957,485</u>	<u>79,348</u>	<u>43,802</u>	<u>993,031</u>	<u>44,796</u>
Total	<u>\$ 1,161,655</u>	<u>\$ 139,679</u>	<u>\$ 76,455</u>	<u>\$ 1,224,879</u>	<u>\$ 75,360</u>
Component Unit - DDA:					
Long Term Advance	<u>\$ 720,000</u>	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ 600,000</u>	<u>\$ -</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2016

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, 2016:

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Governmental Activities:				
MTF Bonds	1	5.00%	2017	\$ 30,000
Installment Loan	1	4.00%	2018	32,140
				<u>\$ 62,140</u>
Business-type Activities:				
County Interceptor Bonds	6	2.00-5.90%	2035	<u>\$ 987,213</u>
Component Unit-DDA:				
Long Term Advance	1	2.00%	2021	<u>\$ 600,000</u>

In July 2010, the Oakland-Macomb Interceptor Drain Drainage Board assessed the Village of Lake Orion, along with other communities within the drainage district, for the maintenance and rehabilitation of the Oakland-Macomb Interceptor Drain, under the provisions of the Michigan Drain Code, Public Act 40 of 1956, Section 526. Bonds were issued in the amount of \$26,076,000, Series 2010A, maturing in 2031 with an interest rate of 2.50%, \$6,731,484.20, Series 2010B, maturing in 2030 with interest rates of 1.45-5.90%, Series 2011, maturing in 2033 with an interest rate of 2.50%, \$65,140,000, Series 2013A, maturing in 2034 with an interest rate of 2.00%, Series 2014A maturing in 2034 with interest rates of 2.00-3.50%, and Series 2015 maturing in 2035 with interest rates of 2.00-3.50%. The Village of Lake Orion's portion of .6612% of the total debt is \$987,213.

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 2021.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2016

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, 2016 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>
2017	\$ 30,564	\$ 3,589	\$ 44,796	\$ 23,571
2018	31,576	1,827	45,789	22,540
2019	-	-	46,904	21,476
2020	-	-	48,030	20,373
2021	-	-	49,211	19,231
2022-2026	-	-	264,476	77,741
2027-2031	-	-	295,694	42,785
2032-2035	-	-	192,313	9,218
	<u>\$ 62,140</u>	<u>\$ 5,416</u>	<u>\$ 987,213</u>	<u>\$ 236,935</u>

<u>Year Ended</u>	<u>Component Unit - DDA</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 120,000	\$ 12,000
2018	120,000	9,600
2019	120,000	7,200
2020	120,000	4,800
2021	120,000	2,400
	<u>\$ 600,000</u>	<u>\$ 36,000</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2016

III. DETAILED NOTES ON ALL FUNDS – Continued

E. Property Taxes

Property tax assessments are determined (Tax Day) as of each December 31. Taxes are levied on July 1 of the following year. These taxes are due on August 31 with the final collection date of February 28 before they are added to the county delinquent tax roll. The Village bills and collects its own property taxes which are accounted for in the General Fund and Downtown Development Authority Fund. Village property tax revenues are recognized in the current year as revenue in accordance with guidelines of the State of Michigan.

The Village is permitted by State law to levy taxes up to \$20 per \$1,000 of equalized valuation for general governmental services. The following is a summary of the tax rates levied on the 2015 tax roll:

<u>Purpose</u>	<u>Authorization</u>	<u>Authorized</u>	<u>Per \$1,000 of State Equalized Value</u>	<u>Rate Post</u>	<u>Rate</u>	<u>Tax</u>
Operating	State Law	Rate	Authorized	"Roll Back"	Levied	Margin
		20.00		11.8739	9.9205	1.9534

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, 2015 Township tax levy is paid by residents through February 2016. The Township remits its payment to the Village through June 2016, which will be used to replace the July 1, 2016 tax levy.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2016

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan Description

The Village contributes to the Municipal Employees' Retirement System of Michigan (MERS), which is an agent multiple-employer defined benefit pension plan that covers all full time employees of the Village. MERS was established by the Michigan Legislature in 1945 and is administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained at mersofmich.com.

Benefits Provided

The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries, as established by Public Act 427 of 1984, as amended. The Plan covers all full-time employees at the Village including union and non-union employees. As of July 1, 2012, the Village closed all defined benefit groups to new members. Benefits are calculated as 2.5 percent of the employee's five-year final average compensation times the employee's years of service with a maximum of 80 percent of final average compensation. Normal retirement age is 60. Deferred retirement benefits vest after 10 years of credited service but are not paid until the date retirement would have occurred if the member had remained an employee.

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

Employees Covered by Benefit Terms

At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	14
Inactive plan members entitled to but not yet receiving benefits	4
Active Plan Members	<u>5</u>
Total Employees covered by MERS	<u>23</u>

Contributions

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

For the year ended June 30, 2016, the average active employee contribution rate was 5 percent of gross wages for police union employees and 5 percent of gross wages for public works employees. The Village's contribution rate was a monthly flat rate of \$9,409.

Net Pension Liability

The net pension liability reported at June 30, 2016 was determined using a measure of the total pension liability and the plan net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

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

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2014	\$ 4,018,929	\$ 2,744,361	\$ 1,274,568
Service Cost	27,164	-	27,164
Interest	329,227	-	329,227
Contributions-Employer	-	107,640	(107,640)
Contributions-Employee	-	14,348	(14,348)
Net Investment Income	-	(38,613)	38,613
Differences between expected and actual experience	(5,100)	-	(5,100)
Change in Assumptions	184,225	-	184,225
Benefit Payments, including refunds	(336,654)	(336,654)	-
Administrative Expenses	-	(5,808)	5,808
Net Changes	<u>198,862</u>	<u>(259,087)</u>	<u>457,949</u>
Balance at December 31, 2015	<u>\$ 4,217,791</u>	<u>\$ 2,485,274</u>	<u>\$ 1,732,517</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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

For the year ended June 30, 2016, the Village recognized pension expense of \$112,908. At June 30, 2016, the Village reported deferred outflows of resources related to pensions from the following sources:

<u>Source</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred</u>
Net difference between projected and actual earnings on pension plan investments	\$ 224,997	\$ -	
Difference between expected and actual experience	4,466	-	
Changes in assumptions related to economic and demographic factors	-	161,196	
Employer contributions to the plan subsequent to the measurement date	<u>56,454</u>	<u>-</u>	
Total	<u>\$ 285,917</u>	<u>\$ 161,196</u>	<u>\$ 124,721</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$56,454), which will impact the net pension liability in fiscal year 2017, rather than pension expense.

<u>Years Ending June 30</u>	<u>Amount</u>
2017	\$ 35,986
2018	35,986
2019	35,986
2020	27,479
2021	(22,390)
2022	(22,390)
2023	(22,390)

Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study in 2008. The MERS retirement board is currently conducting an actuarial experience study covering the period from January 1, 2009 through December 31, 2013.

Discount Rate

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

Projected Cash Flows

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

Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2015, the measurement date, for each major asset class are summarized in the following table:

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	58%	5.0%
Global Fixed Income	20%	2.2%
Real Assets	12%	4.2%
Diversifying strategies	10%	6.6%

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

The following presents the net pension liability of the Village, calculated using the discount rate of 8.00 percent, as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Net Pension Liability	\$ <u>2,109,047</u>	\$ <u>1,732,517</u>	\$ <u>1,405,507</u>

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

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 \$6,335.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2016

IV. OTHER INFORMATION – Continued

B. 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 \$26,026.

C. 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 \$100,112, 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, 2016, 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, 2016

IV. OTHER INFORMATION - Continued

C. 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	19,981
Less adjustment to the annual required contribution	<u>-</u>
Annual OPEB Cost	233,082
Amounts Contributed:	
Payments of current premiums	(100,112)
Advance funding	<u>(10,000)</u>
Increase(Decrease) in net OPEB obligation	122,970
OPEB obligation - Beginning of Year	<u>695,403</u>
OPEB obligation - End of Year	<u>\$ 818,373</u>

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

Valuation as of June 30, 2012:

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

<u>Fiscal Year</u> <u>Ended</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Annual</u> <u>OPEB Costs</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2014	6/30/2012	\$ 213,101	45%	\$ 562,543
6/30/2015	6/30/2012	\$ 232,790	57%	\$ 695,403
6/30/2016	6/30/2012	\$ 233,082	47%	\$ 818,373

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.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2016

IV. OTHER INFORMATION - Continued

C. Post Retirement Health Care Benefits - Continued

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, 2012 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.

D. 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.

E. Joint Venture

North Oakland Transportation Authority

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2016

IV. OTHER INFORMATION - Continued

F. Upcoming Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued two new pronouncements in June 2015, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which will enhance the note disclosures and schedules of required supplementary information for Other Postemployment Benefit Plans (OPEB). GASB Statement No. 74 will provide information about measures of net OPEB liabilities and an analysis of why those liabilities change from year to year. GASB Statement No. 75 establishes standards for governmental employer recognition, measurement, and presentation of information about OPEB plans. GASB Statement No. 74 will be effective for fiscal years beginning after June 15, 2016 and GASB Statement No. 75 will be effective for fiscal years beginning after June 15, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF LAKE ORION
Required Supplemental Information
Schedule of Changes in the Net Pension Liability and Related Ratios
Last Ten Fiscal Years (schedule is built prospectively upon implementation of GASB 68)

	<u>2016</u>	<u>2015</u>
Total Pension Liability:		
Service Cost	\$ 27,164	\$ 33,257
Interest	329,227	308,260
Differences between expected and actual experience	(5,100)	-
Changes in assumptions	184,225	-
Benefit payments, including refunds	<u>(336,654)</u>	<u>(318,528)</u>
Net Change in Total Pension Liability	198,862	22,989
Total Pension Liability, Beginning of year	<u>4,018,929</u>	<u>3,995,940</u>
Total Pension Liability, End of year	<u>\$ 4,217,791</u>	<u>\$ 4,018,929</u>
Plan Fiduciary Net Position:		
Contributions - Employer	\$ 107,640	\$ 107,334
Contributions - Employee	14,348	16,627
Net Investment Income	(38,613)	171,339
Administrative Expenses	(5,808)	(6,252)
Benefit payments, including refunds	<u>(336,654)</u>	<u>(318,528)</u>
Net Change in Plan Fiduciary Net Position	(259,087)	(29,480)
Plan Fiduciary Net Position, Beginning of year	<u>2,744,361</u>	<u>2,773,841</u>
Plan Fiduciary Net Position, End of year	<u>\$ 2,485,274</u>	<u>\$ 2,744,361</u>
Village's Net Pension Liability - Ending	<u>\$ 1,732,517</u>	<u>\$ 1,274,568</u>
Plan Fiduciary Net Position as a Percent of Total Pension Liability	58.9%	68.3%
Covered Employee Payroll	\$ 268,611	\$ 324,635
Village's Net Pension Liability as a Percent of Covered Employee Payroll	645.0%	392.6%

VILLAGE OF LAKE ORION
Required Supplemental Information
Schedule of Village Pension Contributions
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 112,908	\$ 102,012	\$ 113,016	\$ 102,960	\$ 89,448	\$ 67,977	\$ 69,506	\$ 100,373	\$ 114,137	\$ 106,244
Contributions in relation to the actuarially determined contribution	112,908	102,012	113,016	102,960	89,448	67,977	69,506	100,373	114,137	106,244
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 268,611	\$ 324,635	\$ 378,751	\$ 489,211	\$ 666,239	\$ 667,434	\$ 659,155	\$ 834,509	\$ 905,082	\$ 826,567
Contributions as a Percentage of Covered Employee Payroll	42.0%	31.4%	29.8%	21.0%	13.4%	10.2%	10.5%	12.0%	12.6%	12.9%

Actuarial valuation information relative to the determination of contributions:
Actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates:
Actuarial Cost Method Entry-age normal

Amortization Method Level percentage of pay, closed

Remaining Amortization Period 24 years

Asset Valuation Method 5 year smoothed market

Inflation 2.50%

Salary Increases 3.75% including inflation

Investment Rate of Return 7.75%

Retirement Age Experience based tables of rates that are specific to the type of eligibility condition

Mortality 50% Male - 50% Female blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables.

VILLAGE OF LAKE ORION
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Property Taxes	\$ 886,865	\$ 926,367	\$ 926,367	\$ -
Penalties and Interest	2,500	3,380	3,380	-
In Lieu of Taxes	27,300	27,579	27,579	-
Intergovernmental - Federal/CDBG	14,926	147	147	-
Intergovernmental - State	247,500	247,500	249,448	1,948
Charges for Services	179,000	179,700	189,021	9,321
Interest Earnings	1,500	1,000	1,497	497
Administration Fees	157,375	157,375	158,000	625
Other Revenues	10,395	27,189	28,589	1,400
Total Revenues	<u>1,527,361</u>	<u>1,570,237</u>	<u>1,584,028</u>	<u>13,791</u>
<u>Expenditures:</u>				
General Government:				
Village Council	2,038	1,958	1,945	13
Village Manager	103,117	94,762	93,687	1,075
Clerk	75,248	75,115	74,029	1,086
Treasurer	89,725	90,550	91,197	(647)
Municipal Building	207,355	242,386	240,216	2,170
Data Processing	31,499	19,499	17,964	1,535
Professional Services	43,146	67,397	78,969	(11,572)
	<u>552,128</u>	<u>591,667</u>	<u>598,007</u>	<u>(6,340)</u>
Public Works:				
Sanitation	157,800	157,800	144,900	12,900
Street Lighting	41,280	36,280	34,794	1,486
	<u>199,080</u>	<u>194,080</u>	<u>179,694</u>	<u>14,386</u>
Community and Economic Development:				
Community Development Block Grant	14,926	148	-	148
Planning and Zoning	67,252	64,259	67,385	(3,126)
	<u>82,178</u>	<u>64,407</u>	<u>67,385</u>	<u>(2,978)</u>
Recreation and Cultural:				
Parks and Recreation	24,450	24,190	23,466	724
Other Functions:				
Insurance	62,830	63,900	63,900	-
Total Expenditures	<u>920,666</u>	<u>938,244</u>	<u>932,452</u>	<u>5,792</u>
Excess of Revenues Over Expenditures	<u>606,695</u>	<u>631,993</u>	<u>651,576</u>	<u>19,583</u>
Other Financing Sources(Uses):				
Operating Transfers Out	<u>(605,401)</u>	<u>(688,591)</u>	<u>(669,173)</u>	<u>19,418</u>
Net Change in Fund Balance	1,294	(56,598)	(17,597)	39,001
Fund Balance - July 1	<u>393,629</u>	<u>393,629</u>	<u>393,629</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 394,923</u>	<u>\$ 337,031</u>	<u>\$ 376,032</u>	<u>\$ 39,001</u>

VILLAGE OF LAKE ORION
Public Works Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Charges for Services	\$ 31,200	\$ 31,200	\$ 31,200	\$ -
Equipment Rental	85,000	68,167	69,901	1,734
Cemetery	28,000	31,132	31,162	30
Interest Income	-	218	232	14
Other	-	15,385	15,383	(2)
Total Revenues	<u>144,200</u>	<u>146,102</u>	<u>147,878</u>	<u>1,776</u>
<u>Expenditures:</u>				
Public Works:				
Wages and Benefits	319,069	298,682	284,640	14,042
Repairs and Maintenance	21,000	25,000	22,409	2,591
Other	37,509	34,553	31,390	3,163
Cemetery	45,985	72,182	59,676	12,506
Phase II Stormwater	16,366	12,466	8,862	3,604
Total Expenditures	<u>439,929</u>	<u>442,883</u>	<u>406,977</u>	<u>35,906</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(295,729)</u>	<u>(296,781)</u>	<u>(259,099)</u>	<u>37,682</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	294,000	273,000	273,010	10
Transfers Out	-	(70,114)	(70,114)	-
	<u>294,000</u>	<u>202,886</u>	<u>202,896</u>	<u>10</u>
Net Change in Fund Balance	(1,729)	(93,895)	(56,203)	37,692
Fund Balance, July 1	<u>150,212</u>	<u>150,212</u>	<u>150,212</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 148,483</u>	<u>\$ 56,317</u>	<u>\$ 94,009</u>	<u>\$ 37,692</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Intergovernmental-State	\$ 5,748	\$ 17,637	\$ 17,608	\$ (29)
Intergovernmental-Local	336,613	338,142	338,142	-
Charges for Services	14,000	12,427	12,004	(423)
Fines and Forfeitures	63,000	63,250	68,099	4,849
Other	10,500	6,752	3,032	(3,720)
Total Revenues	<u>429,861</u>	<u>438,208</u>	<u>438,885</u>	<u>677</u>
<u>Expenditures:</u>				
Wages and Benefits	669,339	599,605	594,606	4,999
Other	114,066	143,500	130,912	12,588
Debt Service	17,700	17,700	17,653	47
Total Expenditures	<u>801,105</u>	<u>760,805</u>	<u>743,171</u>	<u>17,634</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(371,244)</u>	<u>(322,597)</u>	<u>(304,286)</u>	<u>18,311</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	363,681	353,681	334,263	(19,418)
Transfers Out	-	(9,977)	(9,977)	-
	<u>363,681</u>	<u>343,704</u>	<u>324,286</u>	<u>(19,418)</u>
Net Change in Fund Balance	(7,563)	21,107	20,000	(1,107)
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u>\$ (7,563)</u>	<u>\$ 21,107</u>	<u>\$ 20,000</u>	<u>\$ (1,107)</u>

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF LAKE ORION
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	<u>Special Revenue</u>	<u>Debt Service North Shore Bridge</u>	<u>Capital Project Capital Improvement</u>	<u>Permanent Fund Cemetery</u>	<u>Total</u>
<u>ASSETS</u>					
Cash	\$ 352,091	\$ 2,358	\$ -	\$ 260,958	\$ 615,407
Accounts Receivable	-	-	-	1,675	1,675
Due from State	<u>37,204</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,204</u>
Total Assets	<u>\$ 389,295</u>	<u>\$ 2,358</u>	<u>\$ -</u>	<u>\$ 262,633</u>	<u>\$ 654,286</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts Payable	\$ <u>2,950</u>	\$ -	\$ -	\$ -	\$ <u>2,950</u>
Fund Balance:					
Restricted for Streets	386,345	-	-	-	386,345
Restricted for Debt Service	-	2,358	-	-	2,358
Restricted for Capital Projects	-	-	-	-	-
Restricted for Perpetual Care	<u>-</u>	<u>-</u>	<u>-</u>	<u>262,633</u>	<u>262,633</u>
Total Fund Balance	<u>386,345</u>	<u>2,358</u>	<u>-</u>	<u>262,633</u>	<u>651,336</u>
Total Liabilities and Fund Balance	<u>\$ 389,295</u>	<u>\$ 2,358</u>	<u>\$ -</u>	<u>\$ 262,633</u>	<u>\$ 654,286</u>

VILLAGE OF LAKE ORION
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	<u>Special Revenue</u>	<u>Debt Service North Shore Bridge</u>	<u>Capital Project Capital Improvement</u>	<u>Permanent Fund Cemetery</u>	<u>Total</u>
<u>Revenues:</u>					
State-Shared Revenue	\$ 215,592	\$ -	\$ -	\$ -	\$ 215,592
Charges for Services	-	-	-	12,700	12,700
Interest Earned	520	-	-	2,528	3,048
Other Revenues	1,944	-	9,977	-	11,921
Total Revenues	<u>218,056</u>	<u>-</u>	<u>9,977</u>	<u>15,228</u>	<u>243,261</u>
<u>Expenditures:</u>					
Highways, Streets, Sidewalks and Other Maintenance	100,738	-	-	-	100,738
Debt Service:					
Principal	-	15,000	-	-	15,000
Interest and Other Charges	-	1,827	-	-	1,827
Capital Outlay	-	-	181,928	-	181,928
Total Expenditures	<u>100,738</u>	<u>16,827</u>	<u>181,928</u>	<u>-</u>	<u>299,493</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>117,318</u>	<u>(16,827)</u>	<u>(171,951)</u>	<u>15,228</u>	<u>(56,232)</u>
Other Financing Sources (Uses):					
Operating Transfers In	25,000	17,250	171,951	-	214,201
Operating Transfers Out	(42,250)	-	-	(8,010)	(50,260)
Total Other Financing Sources (Uses)	<u>(17,250)</u>	<u>17,250</u>	<u>171,951</u>	<u>(8,010)</u>	<u>163,941</u>
Change in Fund Balance	100,068	423	-	7,218	107,709
Fund Balance - July 1	<u>286,277</u>	<u>1,935</u>	<u>-</u>	<u>255,415</u>	<u>543,627</u>
Fund Balance - June 30	<u>\$ 386,345</u>	<u>\$ 2,358</u>	<u>\$ -</u>	<u>\$ 262,633</u>	<u>\$ 651,336</u>

VILLAGE OF LAKE ORION
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2016

	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 221,445	\$ 130,646	\$ 352,091
Due from State	<u>28,052</u>	<u>9,152</u>	<u>37,204</u>
Total Assets	\$ <u><u>249,497</u></u>	\$ <u><u>139,798</u></u>	\$ <u><u>389,295</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts Payable	\$ 300	\$ 2,650	\$ 2,950
Fund Balance:			
Restricted for Streets	<u>249,197</u>	<u>137,148</u>	<u>386,345</u>
Total Liabilities and Fund Balance	\$ <u><u>249,497</u></u>	\$ <u><u>139,798</u></u>	\$ <u><u>389,295</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, 2016

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Total</u>
<u>Revenues:</u>			
State-Shared Revenue	\$ 160,043	\$ 55,549	\$ 215,592
Interest Earned	303	217	520
Other Revenues	-	1,944	1,944
Total Revenues	<u>160,346</u>	<u>57,710</u>	<u>218,056</u>
<u>Expenditures:</u>			
Highways, Streets, Sidewalks and Other Maintenance	<u>42,098</u>	<u>58,640</u>	<u>100,738</u>
Total Expenditures	<u>42,098</u>	<u>58,640</u>	<u>100,738</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>118,248</u>	<u>(930)</u>	<u>117,318</u>
Other Financing Sources (Uses):			
Operating Transfers In	-	25,000	25,000
Operating Transfers Out	<u>(25,000)</u>	<u>(17,250)</u>	<u>(42,250)</u>
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>7,750</u>	<u>(17,250)</u>
Change in Fund Balance	93,248	6,820	100,068
Fund Balance - July 1	<u>155,949</u>	<u>130,328</u>	<u>286,277</u>
Fund Balance - June 30	\$ <u><u>249,197</u></u>	\$ <u><u>137,148</u></u>	\$ <u><u>386,345</u></u>

VILLAGE OF LAKE ORION
Combined Balance Sheet
Component Unit - DDA
June 30, 2016

	Downtown Development Authority	DDA Property Acquisition Fund	Total
<u>Assets</u>			
Cash	\$ 230,112	\$ 597	\$ 230,709
Prepaid Expenditures	1,346	-	1,346
Total Assets	\$ 231,458	\$ 597	\$ 232,055

Liabilities and Fund Balance

Liabilities:			
Accounts Payable	\$ 5,981	\$ -	\$ 5,981
Fund Balance	225,477	597	226,074
Total Liabilities and Fund Balance	\$ 231,458	\$ 597	\$ 232,055

Reconciliation to Statement of Net Position (page 11):

Fund Balance at June 30, 2016	\$ 226,074
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,078,294
Long-term liabilities, including long term advance, are not due and payable in the current period and therefore are not reported in the funds.	(600,000)
Net Position of Governmental Activities-Component Unit	\$ 2,704,368

VILLAGE OF LAKE ORION
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
Component Unit - DDA
June 30, 2016

	Downtown Development Authority	DDA Property Acquisition Fund	Total
<u>Revenues</u>			
Property Taxes	\$ 520,222	\$ -	\$ 520,222
Intergovernmental:			
Federal, State and Local	68,747	-	68,747
Charges for Services	109,666	-	109,666
Interest	486	2	488
Total Revenues	699,121	2	699,123
<u>Expenditures</u>			
Community Development	394,370	-	394,370
Debt Service:			
Principal	120,000	-	120,000
Interest and Other Charges	14,400	-	14,400
Capital Outlay	75,221	-	75,221
Total Expenditures	603,991	-	603,991
Excess (Deficiency) of Revenues Over Expenditures	95,130	2	95,132
Fund Balance - Beginning	130,347	595	130,942
Fund Balance - Ending	\$ 225,477	\$ 597	\$ 226,074

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

Net Change in Fund Balance at June 30, 2016 \$ 95,132

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	18,890
Depreciation Expense	(121,452)

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

Principal Repayments	120,000
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Change in Net Position-Component Unit \$ 112,570

VILLAGE OF LAKE ORION
Schedule of Indebtedness
Governmental Funds
June 30, 2016

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%	10/01/16	\$ 15,000	\$ 1,500	\$ 16,500
5.00%	10/01/17	15,000	750	15,750
		<u>\$ 30,000</u>	<u>\$ 2,250</u>	<u>\$ 32,250</u>

2015 Installment Purchase Agreement

2015 Ford Police Interceptor Vehicles - 2

Date of Issue: October 2, 2015

Total Issue \$ 49,793

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>
4.00%	10/2/2016	\$ 15,564	\$ 2,089	\$ 17,653
4.00%	10/2/2017	16,576	1,077	17,653
		<u>\$ 32,140</u>	<u>\$ 3,166</u>	<u>\$ 35,306</u>

VILLAGE OF LAKE ORION
Schedule of Indebtedness
Proprietary Fund
June 30, 2016

2010A Oakland-Macomb Interceptor Drain Bond

Date of Issue - January 22, 2010

Village of Lake Orion Portion \$83,621 (.6612%)

Interest Due April 1 and October 1

Bonds Due as Follows:

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
2.50%	4/1/2017	\$ 7,637	3,426	\$ 11,063
2.50%	4/1/2018	7,802	3,235	11,037
2.50%	4/1/2019	8,001	3,040	11,041
2.50%	4/1/2020	8,232	2,840	11,072
2.50%	4/1/2021	8,430	2,634	11,064
2.50%	4/1/2022	8,629	2,424	11,053
2.50%	4/1/2023	8,860	2,208	11,068
2.50%	4/1/2024	9,092	1,986	11,078
2.50%	4/1/2025	9,323	1,759	11,082
2.50%	4/1/2026	9,554	1,526	11,080
2.50%	4/1/2027	9,786	1,286	11,072
2.50%	4/1/2028	10,050	1,042	11,092
2.50%	4/1/2029	10,282	790	11,072
2.50%	4/1/2030	10,545	534	11,079
2.50%	4/1/2031	10,811	270	11,081
		<u>\$ 137,034</u>	<u>\$ 29,000</u>	<u>\$ 166,034</u>

2010B Oakland-Macomb Interceptor Drain Bond

Date of Issue - January 22, 2010

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

Interest Due April 1 and October 1

Bonds Due as Follows:

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
3.90%	4/1/2017	\$ 1,785	\$ 1,896	\$ 3,681
4.35%	4/1/2018	1,851	1,826	3,677
4.70%	4/1/2019	1,951	1,746	3,697
4.90%	4/1/2020	2,050	1,654	3,704
5.10%	4/1/2021	2,149	1,554	3,703
5.25%	4/1/2022	2,248	1,444	3,692
5.45%	4/1/2023	2,380	1,326	3,706
5.45%	4/1/2024	2,512	1,196	3,708
5.70%	4/1/2025	2,645	1,060	3,705
5.70%	4/1/2026	2,777	910	3,687
5.90%	4/1/2027	2,942	750	3,692
5.90%	4/1/2028	3,075	577	3,652
5.90%	4/1/2029	3,273	396	3,669
5.90%	4/1/2030	3,438	202	3,640
		<u>\$ 35,076</u>	<u>\$ 16,537</u>	<u>\$ 51,613</u>

VILLAGE OF LAKE ORION
Schedule of Indebtedness
Proprietary Fund
June 30, 2016

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

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
2.50%	10/1/2016	\$ 8,524	\$ 4,664	\$ 13,188
2.50%	10/1/2017	8,727	4,448	13,175
2.50%	10/1/2018	8,970	4,227	13,197
2.50%	10/1/2019	9,173	4,000	13,173
2.50%	10/1/2020	9,417	3,768	13,185
2.50%	10/1/2021	9,660	3,529	13,189
2.50%	10/1/2022	9,863	3,285	13,148
2.50%	10/1/2023	10,148	3,035	13,183
2.50%	10/1/2024	10,391	2,778	13,169
2.50%	10/1/2025	10,635	2,515	13,150
2.50%	10/1/2026	10,919	2,246	13,165
2.50%	10/1/2027	11,203	1,970	13,173
2.50%	10/1/2028	11,446	1,687	13,133
2.50%	10/1/2029	11,730	1,397	13,127
2.50%	10/1/2030	12,055	1,099	13,154
2.50%	10/1/2031	12,339	794	13,133
2.50%	10/1/2032	12,664	482	13,146
2.50%	10/1/2033	12,948	162	13,110
		<u>\$ 190,812</u>	<u>\$ 46,086</u>	<u>\$ 236,898</u>

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

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
2.00%	10/1/2016	\$ 18,988	\$ 8,483	\$ 27,471
2.00%	10/1/2017	19,370	8,100	27,470
2.00%	10/1/2018	19,752	7,708	27,460
2.00%	10/1/2019	20,134	7,309	27,443
2.00%	10/1/2020	20,551	6,902	27,453
2.00%	10/1/2021	20,967	6,487	27,454
2.00%	10/1/2022	21,384	6,064	27,448
2.00%	10/1/2023	21,800	5,632	27,432
2.00%	10/1/2024	22,252	5,191	27,443
2.00%	10/1/2025	22,668	4,742	27,410
2.00%	10/1/2026	23,154	4,284	27,438
2.00%	10/1/2027	23,605	3,816	27,421
2.00%	10/1/2028	24,091	3,339	27,430
2.00%	10/1/2029	24,543	2,853	27,396
2.00%	10/1/2030	25,063	2,357	27,420
2.00%	10/1/2031	25,549	1,851	27,400
2.00%	10/1/2032	26,070	1,335	27,405
2.00%	10/1/2033	26,591	808	27,399
2.00%	10/1/2034	27,112	271	27,383
		<u>\$ 433,644</u>	<u>\$ 87,532</u>	<u>\$ 521,176</u>

VILLAGE OF LAKE ORION
Schedule of Indebtedness
Proprietary Fund
June 30, 2016

2014A Oakland-Macomb Interceptor Drain Bond

Date of Issue - September 2014

Village of Lake Orion Portion \$52,896 (.6612%)

Interest Due April 1 and October 1

Bonds Due as Follows:

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
2.00%	10/1/2016	\$ 2,605	\$ 1,628	\$ 4,233
2.00%	10/1/2017	2,650	1,575	4,225
2.00%	10/1/2018	2,742	1,521	4,263
2.00%	10/1/2019	2,788	1,466	4,254
2.00%	10/1/2020	2,879	1,409	4,288
2.00%	10/1/2021	2,925	1,351	4,276
2.00%	10/1/2022	3,016	1,292	4,308
2.00%	10/1/2023	3,107	1,231	4,338
2.00%	10/1/2024	3,153	1,168	4,321
3.00%	10/1/2025	3,245	1,087	4,332
3.00%	10/1/2026	3,382	988	4,370
3.00%	10/1/2027	3,473	886	4,359
3.00%	10/1/2028	3,564	780	4,344
3.00%	10/1/2029	3,701	671	4,372
3.00%	10/1/2030	3,793	559	4,352
3.00%	10/1/2031	3,930	443	4,373
3.00%	10/1/2032	4,067	323	4,390
3.00%	10/1/2033	4,204	199	4,403
3.125%	10/1/2034	4,341	68	4,409
		<u>\$ 63,565</u>	<u>\$ 18,645</u>	<u>\$ 82,210</u>

2015 Oakland-Macomb Interceptor Drain Bond

Date of Issue - April 2015

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

Interest Due April 1 and October 1

Bonds Due as Follows:

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
2.00%	4/1/2017	\$ 2,612	\$ 1,886	\$ 4,498
2.00%	4/1/2018	2,678	1,834	4,512
2.25%	4/1/2019	2,711	1,780	4,491
2.50%	4/1/2020	2,777	1,718	4,495
2.50%	4/1/2021	2,843	1,650	4,493
2.50%	4/1/2022	2,909	1,578	4,487
2.75%	4/1/2023	3,008	1,506	4,514
2.75%	4/1/2024	3,108	1,422	4,530
3.00%	4/1/2025	3,174	1,338	4,512
3.00%	4/1/2026	3,273	1,242	4,515
3.00%	4/1/2027	3,372	1,144	4,516
3.00%	4/1/2028	3,471	1,042	4,513
3.25%	4/1/2029	3,570	938	4,508
3.25%	4/1/2030	3,670	822	4,492
3.25%	4/1/2031	3,802	704	4,506
3.50%	4/1/2032	3,934	580	4,514
3.50%	4/1/2033	4,066	442	4,508
3.50%	4/1/2034	4,199	300	4,499
3.50%	4/1/2035	4,364	152	4,516
		<u>\$ 63,541</u>	<u>\$ 22,078</u>	<u>\$ 85,619</u>

VILLAGE OF LAKE ORION
Schedule of Indebtedness
Proprietary Fund
June 30, 2016

2015 Oakland-Macomb Interceptor Drain Bond - SAW Loan

Date of Issue - April 2015

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

Interest Due April 1 and October 1

Bonds Due as Follows:

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
2.50%	4/1/2017	\$ 2,645	\$ 1,588	\$ 4,233
2.50%	4/1/2018	2,711	1,522	4,233
2.50%	4/1/2019	2,777	1,454	4,231
2.50%	4/1/2020	2,876	1,386	4,262
2.50%	4/1/2021	2,942	1,314	4,256
2.50%	4/1/2022	3,008	1,240	4,248
2.50%	4/1/2023	3,075	1,164	4,239
2.50%	4/1/2024	3,141	1,088	4,229
2.50%	4/1/2025	3,240	1,009	4,249
2.50%	4/1/2026	3,306	928	4,234
2.50%	4/1/2027	3,405	846	4,251
2.50%	4/1/2028	3,471	760	4,231
2.50%	4/1/2029	3,570	674	4,244
2.50%	4/1/2030	3,670	584	4,254
2.50%	4/1/2031	3,769	492	4,261
2.50%	4/1/2032	3,835	398	4,233
2.50%	4/1/2033	3,934	302	4,236
2.50%	4/1/2034	4,034	204	4,238
2.50%	4/1/2035	4,132	104	4,236
		\$ <u>63,541</u>	\$ <u>17,057</u>	\$ <u>80,598</u>

