

Audited Financial Statements
and Other Supplementary Information

Village of Lake Orion

Year Ended June 30, 2018
with Report of Independent Auditors



Village of Lake Orion
 Audited Financial Statements
 and Other Supplementary Information
 Year Ended June 30, 2018

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Report of Independent Auditors

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Lake Orion, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Lake Orion, as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 1 and Note 7 to the financial statements, the Village implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires the Village to report its net postemployment obligation and associated deferred outflows of resources, deferred inflows of resources, and postemployment expense. The Village has restated its July 1, 2017 net position accordingly. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Supplementary Information

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

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

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

Andrews Hooper Paulik PLC

Auburn Hills, Michigan
December 20, 2018

Village of Lake Orion

Management's Discussion and Analysis

June 30, 2018

The following is a discussion and analysis of the Village of Lake Orion's (Village) financial activities for the year ended June 30, 2018. This analysis should be read in conjunction with the Report of Independent Auditors and with the Village's financial statements. All amounts, unless otherwise indicated, are presented in whole dollars.

Financial Highlights

The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$8,354,269 (net position). Included in this amount is a net unrestricted deficit of \$48,869.

At the close of the most recent fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,341,575. Approximately 35% of this total amount, \$474,229 is available for spending at the government's discretion (unassigned fund balance).

At the end of the current fiscal year, unassigned fund balance for the general fund was \$474,229, or 28% of total general fund expenditures including operating transfers.

The Village's total debt increased by \$170,726 (17%) during the current fiscal year, due to new debt less annual debt service payments made.

Overview of the Financial Statements

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

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

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

Village of Lake Orion

Management's Discussion and Analysis

June 30, 2018

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

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

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

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

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

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

Village of Lake Orion

Management's Discussion and Analysis

June 30, 2018

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

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

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

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

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

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

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

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

Village of Lake Orion

Management's Discussion and Analysis

June 30, 2018

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

Government-wide Financial Analysis

Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,354,269 at the close of the most recent fiscal year. Of the Village's net position 91% reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Village of Lake Orion – Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	\$ 1,523,919	\$ 1,438,851	\$ 2,886,339	\$ 2,597,602	\$ 4,410,258	\$ 4,036,453
Capital assets	3,248,618	3,463,895	5,512,964	5,390,142	8,761,582	8,854,037
Total assets	<u>4,772,537</u>	<u>4,902,746</u>	<u>8,399,303</u>	<u>7,987,744</u>	<u>13,171,840</u>	<u>12,890,490</u>
Deferred outflows	<u>124,242</u>	159,641	-	-	<u>124,242</u>	159,641
Liabilities:						
Long-term liabilities outstanding	3,262,441	2,318,319	1,103,005	899,939	4,365,446	3,218,258
Other liabilities	162,991	186,102	260,496	218,652	423,487	404,754
Total liabilities	<u>3,425,432</u>	<u>2,504,421</u>	<u>1,363,501</u>	<u>1,118,591</u>	<u>4,788,933</u>	<u>3,623,012</u>
Deferred inflows of resources	<u>152,880</u>	106,283	-	-	<u>152,880</u>	106,283
Net position:						
Net investment in capital assets	3,240,218	3,424,281	4,368,491	4,447,609	7,608,709	7,871,890
Restricted	794,429	764,146	-	-	794,429	764,146
Unrestricted (deficit)	<u>(2,716,180)</u>	<u>(1,736,744)</u>	<u>2,667,311</u>	<u>2,421,544</u>	<u>(48,869)</u>	<u>684,800</u>
Total net position	<u>\$ 1,318,467</u>	<u>\$ 2,451,683</u>	<u>\$ 7,035,802</u>	<u>\$ 6,869,153</u>	<u>\$ 8,354,269</u>	<u>\$ 9,320,836</u>

Village of Lake Orion

Management's Discussion and Analysis

June 30, 2018

Village of Lake Orion – Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charge for services	\$ 560,604	\$ 454,141	\$ 1,737,168	\$ 1,380,166	\$ 2,297,772	\$ 1,834,307
Operating grants and contributions	309,640	570,098	-	-	309,640	570,098
Capital grants and contributions	26,023	26,023	126,671	198,621	152,694	224,644
General revenues:						
Property taxes	1,321,070	987,679	-	-	1,321,070	987,679
State shared revenues	290,837	262,694	-	-	290,837	262,694
Unrestricted investment earnings	7,290	4,080	23,768	19,316	31,058	23,396
Transfers	169,738	160,297	(103,000)	(100,297)	66,738	60,000
Total revenues	<u>2,685,202</u>	<u>2,465,012</u>	<u>1,784,607</u>	<u>1,497,806</u>	<u>4,469,809</u>	<u>3,962,818</u>
Expenses:						
General government	821,998	758,581	-	-	821,998	758,581
Public safety	729,109	551,531	-	-	729,109	551,531
Public works	988,408	626,523	-	-	988,408	626,523
Community development	52,520	68,639	-	-	52,520	68,639
Recreation and culture	79,662	32,729	-	-	79,662	32,729
Interest on long-term debt	2,313	3,512	-	-	2,313	3,512
Water and sewer	-	-	1,617,958	1,785,618	1,617,958	1,785,618
Total expenses	<u>2,674,010</u>	<u>2,041,515</u>	<u>1,617,958</u>	<u>1,785,618</u>	<u>4,291,968</u>	<u>3,827,133</u>
Change in net position	<u>\$ 11,192</u>	<u>\$ 423,497</u>	<u>\$ 166,649</u>	<u>\$ (287,812)</u>	<u>\$ 177,841</u>	<u>\$ 135,685</u>

Governmental Activities. Governmental activities increased net position by \$11,192, as compared to an increase of \$423,497 in the prior year.

Business-type Activities. Business-type activities increased net position by \$166,649, which reflect the activity in the Village's Water and Sewer Fund. In fiscal year 2018, the Water and Sewer Fund reflected an operating income of \$139,141.

Village of Lake Orion

Management's Discussion and Analysis

June 30, 2018

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$1,341,575. Approximately 35% of this total amount, \$474,229, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is non-spendable (prepaid expenditures) or restricted to indicate that it is not available for new spending because it has already been committed for police, streets, debt service, capital projects, or to generate income to pay for the perpetual care of the municipal cemetery.

Total governmental fund balances increased by \$85,082 in 2018 as compared to an increase of \$115,116 for the 2017 fiscal year.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the general fund was \$474,229, while the total fund balance was \$479,777. Unassigned fund balance represents 28% of total general fund expenditures including operating transfers, while the total fund balance represents 28% of that same amount. The fund balance of the Village's general fund increased \$54,309 during the current fiscal year.

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

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$2,667,311. The Water and Sewer Fund had an operating gain of \$139,141 at year end, and a total net gain of \$166,649, as compared to an operating loss of \$381,351 and total net loss of \$287,812 in the prior fiscal year.

General Fund Budgetary Highlights

There was a \$67,196 increase in budgeted revenues between the original budget and the final amended budget.

Village of Lake Orion

Management's Discussion and Analysis

June 30, 2018

Capital Asset and Debt Administration

Capital Assets. The Village's investment in capital assets for its governmental and business-type activities is \$8,761,582 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, machinery and equipment, park facilities, roads, and bridges. The change in the Village's investment in capital assets for the current fiscal year was a 6% decrease for governmental activities, and a 2% increase in business-type activities. Governmental capital assets additions include equipment and a boat purchased during fiscal year 2018.

Long-term Debt. At the end of the current fiscal year, the Village had total bond debt outstanding of \$1,144,473, and an installment loan of \$8,400. Of these amounts, \$8,400 is governmental, and \$1,144,473 is business-type.

At the end of the current fiscal year, the Village's Component Unit (DDA) had an advance to the Water & Sewer Fund outstanding of \$360,000 to assist the DDA in financing the streetscape project.

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

Economic Factors and Future Budgets and Rates

For the 2018/2019 budget year, the Village anticipates a slight increase in property tax revenue as well as a slight increase in state shared revenue received from the State of Michigan. The Village will also continue work on the water main project throughout the Village, which will be funded through a Drinking Water Revolving Fund loan.

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

Requests for Information

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

Village of Lake Orion
Statement of Net Position

June 30, 2018

	Primary Government			Component Unit – DDA
	Governmental Activities	Business-type Activies	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 991,642	\$ 997,627	\$ 1,989,269	\$ 715,354
Current investments	200,000	600,000	800,000	-
Receivables (net of allowance for uncollectibles)	167,373	553,062	720,435	-
Due from other governmental units	135,652	273,516	409,168	2,602
Due from escrow fund	2,376	-	2,376	-
Prepaid expenditures	26,876	2,134	29,010	3,569
Total current assets	<u>1,523,919</u>	<u>2,426,339</u>	<u>3,950,258</u>	<u>721,525</u>
Advance to component unit	-	360,000	360,000	-
Noncurrent investments	-	100,000	100,000	-
Capital assets – non-depreciating	498,484	226,740	725,224	113,479
Capital assets, net of accumulated depreciation	<u>2,750,134</u>	<u>5,286,224</u>	<u>8,036,358</u>	<u>2,712,728</u>
Net capital assets	<u>3,248,618</u>	<u>5,512,964</u>	<u>8,761,582</u>	<u>2,826,207</u>
Total assets	<u>4,772,537</u>	<u>8,399,303</u>	<u>13,171,840</u>	<u>3,547,732</u>
Deferred outflow of resources				
Deferred outflow related to pensions	<u>124,242</u>	-	<u>124,242</u>	-
Liabilities				
Current liabilities:				
Accounts payable	49,927	213,093	263,020	13,345
Accrued liabilities	25,851	-	25,851	-
Current portion of compensated absences	78,813	500	79,313	-
Current portion of long-term debt	8,400	46,903	55,303	120,000
Total current liabilities	<u>162,991</u>	<u>260,496</u>	<u>423,487</u>	<u>133,345</u>
Noncurrent liabilities:				
Net other post employment benefits liability	2,070,778	-	2,070,778	-
Net pension liability	1,053,841	-	1,053,841	-
Compensated absences, net of current portion	137,822	5,435	143,257	-
Long-term debt, net of current portion	-	1,097,570	1,097,570	240,000
Total noncurrent liabilities	<u>3,262,441</u>	<u>1,103,005</u>	<u>4,365,446</u>	<u>240,000</u>
Total liabilities	<u>3,425,432</u>	<u>1,363,501</u>	<u>4,788,933</u>	<u>373,345</u>
Deferred inflow of resources				
Deferred inflow related to pensions	44,169	-	44,169	-
Deferred inflow related to OPEB	2,145	-	2,145	-
Taxes levied for the following year	106,566	-	106,566	-
Total deferred inflow of resources	<u>152,880</u>	-	<u>152,880</u>	-
Net position				
Net investment in capital assets	3,240,218	4,368,491	7,608,709	2,466,207
Restricted for:				
Police	70,362	-	70,362	-
Streets	454,822	-	454,822	-
Perpetual care	269,245	-	269,245	-
Unrestricted	<u>(2,716,180)</u>	<u>2,667,311</u>	<u>(48,869)</u>	<u>708,180</u>
Total net position	<u>\$ 1,318,467</u>	<u>\$ 7,035,802</u>	<u>\$ 8,354,269</u>	<u>\$ 3,174,387</u>

See accompanying notes.

Village of Lake Orion

Statement of Activities

Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit - DDA
	Expenses	Operating		Capital	Governmental Activities	Business-type Activities	Total	
		Charges for Services	Grants and Contributions	Grants and Contributions				
Primary government								
Governmental activities:								
General government	\$ 821,998	\$ 50,955	\$ 19,500	\$ -	\$ (751,543)	\$ -	\$ (751,543)	\$ -
Public safety	729,109	139,422	17,688	-	(571,999)	-	(571,999)	-
Public works	988,408	347,426	272,452	-	(368,530)	-	(368,530)	-
Community development	52,520	11,480	-	26,023	(15,017)	-	(15,017)	-
Recreation and culture	79,662	11,321	-	-	(68,341)	-	(68,341)	-
Interest on long-term debt	2,313	-	-	-	(2,313)	-	(2,313)	-
Total governmental activities	2,674,010	560,604	309,640	26,023	(1,777,743)	-	(1,777,743)	-
Business-type activities:								
Water and sewer	1,617,958	1,737,168	-	126,671	-	245,881	245,881	-
Total primary government	\$ 4,291,968	\$ 2,297,772	\$ 309,640	\$ 152,694	\$ (1,777,743)	\$ 245,881	\$ (1,531,862)	\$ -
Component unit:								
Downtown development authority	\$ 803,430	\$ 34,925	\$ -	\$ -	-	-	-	(768,505)
General revenues and transfers:								
Property taxes					1,321,070	-	1,321,070	680,357
Other taxes					-	-	-	12,131
Sale of fixed assets					-	-	-	466,846
State shared revenue					290,837	-	290,837	-
Unrestricted investment earnings					7,290	23,768	31,058	2,761
Transfers					169,738	(103,000)	66,738	(66,738)
Total general revenues and transfers					1,788,935	(79,232)	1,709,703	1,095,357
Change in net position					11,192	166,649	177,841	326,852
Net position at beginning of year - as restated					1,307,275	6,869,153	8,176,428	2,847,535
Net position at end of year					\$ 1,318,467	\$ 7,035,802	\$ 8,354,269	\$ 3,174,387

See accompanying notes.

Village of Lake Orion

Governmental Funds Balance Sheet

June 30, 2018

	<u>Special Revenue</u>			Other Governmental Funds	Total Governmental Funds
	General Fund	Public Works Fund	Police Fund		
Assets					
Cash and cash equivalents	\$ 351,723	\$ 45,273	\$ 90,132	\$ 504,514	\$ 991,642
Current investments	-	-	-	200,000	200,000
Receivables (net of allowance for uncollectibles)	58,723	-	106,915	1,735	167,373
Due from State	87,170	-	-	43,428	130,598
Due from County	-	-	5,054	-	5,054
Due from other funds	2,376	-	-	-	2,376
Prepaid expenditures	5,548	9,887	10,427	1,014	26,876
Total assets	<u>\$ 505,540</u>	<u>\$ 55,160</u>	<u>\$ 212,528</u>	<u>\$ 750,691</u>	<u>\$ 1,523,919</u>
Liabilities, deferred inflows of resources, and fund balance					
Liabilities:					
Accounts payable	\$ 15,877	\$ 2,653	\$ 13,689	\$ 17,708	\$ 49,927
Accrued and other liabilities	9,886	4,481	11,484	-	25,851
Total liabilities	<u>25,763</u>	<u>7,134</u>	<u>25,173</u>	<u>17,708</u>	<u>75,778</u>
Deferred inflows of resources:					
Taxes levied for the following year	-	-	106,566	-	106,566
Fund balance:					
Nonspendable – prepaid expenditures	5,548	9,887	10,427	1,014	26,876
Restricted for:					
Police	-	-	70,362	-	70,362
Streets	-	-	-	454,822	454,822
Capital projects	-	-	-	7,902	7,902
Perpetual care	-	-	-	269,245	269,245
Committed for public works	-	38,139	-	-	38,139
Unassigned	474,229	-	-	-	474,229
Total fund balance	<u>479,777</u>	<u>48,026</u>	<u>80,789</u>	<u>732,983</u>	<u>1,341,575</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 505,540</u>	<u>\$ 55,160</u>	<u>\$ 212,528</u>	<u>\$ 750,691</u>	<u>\$ 1,523,919</u>

See accompanying notes.

Village of Lake Orion

Governmental Funds

Reconciliation of Balance Sheet to Statement of Net Position

June 30, 2018

Total fund balance – governmental funds \$ 1,341,575

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Net cost of capital assets 3,248,618

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

Deferred outflows of resources related to pensions 124,242
Deferred inflows of resources related to pensions (44,169)
Deferred outflows of resources related to other post employment (2,145)

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

Net other post employment benefit liability (2,070,778)
Net pension liability (1,053,841)
Compensated absences (216,635)
Long-term debt (8,400)
Net position – governmental activities \$ 1,318,467

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

Year Ended June 30, 2018

	<u>Special Revenue</u>			Other Governmental Funds	Total Governmental Funds
	General Fund	Public Works Fund	Police Fund		
Revenues					
Property taxes	\$ 1,021,108	\$ -	\$ 299,962	\$ -	\$ 1,321,070
Intergovernmental:					
Federal, state, and local	316,860	-	17,688	272,452	607,000
Charges for services	186,309	137,113	90,493	7,724	421,639
Fines and forfeitures	-	-	40,110	-	40,110
Interest	3,185	170	109	3,826	7,290
Other revenues	70,455	3,088	8,819	35,993	118,355
Total revenues	1,597,917	140,371	457,181	319,995	2,515,464
Expenditures					
Current:					
General government	639,728	-	-	-	639,728
Public safety	-	-	724,879	-	724,879
Public works	243,542	433,203	-	299,028	975,773
Community and economic development	52,520	-	-	-	52,520
Recreation and culture	74,252	-	-	-	74,252
Other	64,946	-	-	-	64,946
Debt service:					
Principal	-	-	16,214	15,000	31,214
Interest and other charges	-	-	1,856	457	2,313
Capital outlay	-	11,164	23,331	-	34,495
Total expenditures	1,074,988	444,367	766,280	314,485	2,600,120
Excess of revenues over (under) expenditures	522,929	(303,996)	(309,099)	5,510	(84,656)
Other financing sources (uses)					
Transfers in	169,738	299,443	340,405	53,332	862,918
Transfers out	(638,358)	-	-	(54,822)	(693,180)
Total other financing sources and uses	(468,620)	299,443	340,405	(1,490)	169,738
Net change in fund balance	54,309	(4,553)	31,306	4,020	85,082
Fund balance at beginning of year	425,468	52,579	49,483	728,963	1,256,493
Fund balance at end of year	\$ 479,777	\$ 48,026	\$ 80,789	\$ 732,983	\$ 1,341,575

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

Year Ended June 30, 2018

Net change in fund balance – governmental funds	\$	85,082
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Total change in net position reported for governmental activities in the statement of activities is different because:

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

Capital outlay		34,495
Depreciation expense		(249,772)

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

Principal repayments		31,214
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. In the current period, these items consist of:

Change in net other post employment benefit liability		(39,600)
Change in deferred outflows related to pensions		(35,399)
Change in deferred inflows related to pensions and OPEB		(46,314)
Change in net pension liability		243,078
Change in compensated absences		(11,592)
Change in net position – governmental activities	\$	11,192

Village of Lake Orion
 Proprietary Fund
 Statement of Net Position

June 30, 2018

	Enterprise Fund
	Water and Sewer
Assets	
Current assets:	
Cash and cash equivalents	\$ 997,627
Current investments	600,000
Accounts receivable	553,062
Due from State	273,516
Prepaid expenses	2,134
Total current assets	2,426,339
Advance to component unit	360,000
Noncurrent investments	100,000
Property, plant and equipment	12,863,783
Less: Accumulated depreciation	(7,350,819)
Net property, plant and equipment	5,512,964
Total assets	8,399,303
Liabilities	
Current liabilities:	
Accounts payable	213,093
Current portion of compensated absences	500
Current portion of bonds payable	46,903
Total current liabilities	260,496
Long-term liabilities:	
Compensated absences, less current portion	5,435
Bonds payable, less current portion	1,097,570
Total long-term liabilities	1,103,005
Total liabilities	1,363,501
Net position	
Net investment in capital assets	4,368,491
Unrestricted	2,667,311
Total net position	\$ 7,035,802

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

Year Ended June 30, 2018

	Enterprise Fund
	Water and Sewer
Operating revenues	
Charges for services	\$ 1,705,145
Penalty charges	29,783
Miscellaneous	2,240
Total operating revenues	1,737,168
Operating expenses	
Salaries and fringe benefits	107,410
Water purchases	414,317
Sewage treatment	692,524
General and administrative	11,767
Supplies	10,129
Contract services	67,197
Equipment repairs and rentals	34,456
Depreciation	260,227
Total operating expenses	1,598,027
Operating income	139,141
Nonoperating revenues (expenses)	
State grants	102,385
Interest earned	23,768
Interest expense and related fees	(19,931)
Total nonoperating revenues (expenses)	106,222
Income before contributions and transfers	245,363
Capital contributions	
Capital and lateral charges	24,286
Transfers	
Transfers out	(103,000)
Change in net position	166,649
Net position at beginning of period	6,869,153
Net position at end of period	\$ 7,035,802

Village of Lake Orion

Proprietary Fund
Statement of Cash Flows

Year Ended June 30, 2018

	Enterprise Fund
	Water and Sewer
Cash flows from operating activities	
Receipts from customers and users	\$ 1,760,458
Payments to suppliers	(1,190,516)
Payments to employees	(107,410)
Net cash from operating activities	<u>462,532</u>
Cash flows from capital and related financing activities	
Collection of capital and lateral charges	24,286
State grants proceeds	(171,131)
Payment for capital acquisitions	(383,049)
Proceeds from issuance of capital debt	249,969
Principal paid on capital debt	(45,789)
Interest paid on capital debt	(19,931)
Transfer to other funds	(103,000)
Net cash from capital and related financing activities	<u>(448,645)</u>
Cash flows from investing activities	
Maturity of certificate of deposit, net	100,000
Interest earned	23,768
Net cash from investing activities	<u>123,768</u>
Net change in cash and cash equivalents	137,655
Cash and cash equivalents at beginning of period	859,972
Cash and cash equivalents at end of period	<u>\$ 997,627</u>
Reconciliation of operating income to net cash from operating activities:	
Operating income	\$ 139,141
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	260,227
Change in receivables	(96,710)
Change in prepaids	(856)
Change in advance to component unit	120,000
Change in accounts payable	40,730
Net cash from operating activities	<u>\$ 462,532</u>

See accompanying notes.

Village of Lake Orion
 Fiduciary Funds
 Statement of Fiduciary Net Position

June 30, 2018

	Retiree Healthcare Trust Fund	Agency Fund
Assets		
Cash and cash equivalents	\$ -	\$ 69,460
Investments, at fair value:		
Mutual funds	121,760	-
Total assets	121,760	69,460
Liabilities		
Due to other funds	-	2,376
Due to other	-	67,084
Net Position		
Held in trust for retirement benefits	\$ 121,760	\$ -

Village of Lake Orion
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 Year Ended June 30, 2018

	<u>Retiree Healthcare Trust Fund</u>
Additions	
Contributions:	
Employer	\$ 10,000
Investment earnings:	
Net increase in fair value of investments	<u>8,775</u>
Total additions	<u>18,775</u>
Deductions	
Fees	<u>554</u>
Change in net position	18,221
Net position at beginning of year	<u>103,539</u>
Net position at end of year	<u><u>\$ 121,760</u></u>

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Discretely Presented Component Unit

Downtown Development Authority (DDA)

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

Description of Government-Wide and Fund Financial Statements

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

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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

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

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

Basis of Presentation – Government-Wide Financial Statements

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

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

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

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation – Fund Financial Statements

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

The Village reports the following major governmental funds:

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

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

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

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

The Village reports the following major proprietary fund:

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

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation – Fund Financial Statements (continued)

The Village reports the following fiduciary funds:

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

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

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

Additionally, the Village reports the following fund types:

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

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

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

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

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

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation – Fund Financial Statements (continued)

During the course of operations the Village has activity between funds for various purposes. Any residual balances outstanding at year end are reported as “due from/to other funds” and “advances to/from other funds.” While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Use of Estimates

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

Measurement Focus and Basis of Accounting

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

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

Budgetary Information

Budgetary Basis of Accounting

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

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

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Position/Fund Balance

Cash and Cash Equivalents

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

Investments

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

Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. All trade and property tax receivables are shown net of allowance for uncollectible accounts, which are recorded at \$0 as of June 30, 2018.

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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

Capital Assets

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

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

Compensated Absences

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

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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

Long-Term Obligations

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

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

Fund Balance Classifications

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

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

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

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

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

Unassigned – amounts that are available for any purpose.

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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

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

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's enterprise fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the systems. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Change in Accounting Principle

The Governmental Accounting Standards Board issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75). The new standard, which the Village adopted for the year ended June 30, 2018, requires a change in the way the Village reports its postemployment obligation (OPEB). Under the previous requirement (GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*), only a portion of the obligation was reported. Under the new standard, the liability includes the full portion of Village's net unfunded OPEB to more comprehensively and comparably measure the annual costs of other postemployment benefits. In accordance with the standard, the Village has reported a net change in its OPEB liability of \$1,144,408 as a cumulative effect of a change in accounting principle adjustment to unrestricted net position as of July 1, 2017 as detailed below:

	Governmental Activities
Beginning of year, as previously reported Net Position	\$ 2,451,683
Net OPEB obligation (old standard)	886,770
Net OPEB liability (new standard)	(2,031,178)
Beginning of year, as restated Net Position	\$ 1,307,275

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies (continued)

In accordance with GASB 75, the restatement of all deferred outflows and inflows was not practical and therefore not included in the restatement of beginning balances.

2. Deposits and Investments

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

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

Custodial Credit Risk. Custodial Credit Risk is the risk that in the event of a bank failure, the Village's deposits may not be recovered. Neither State law nor the Village's investment policy requires consideration of custodial credit risk. As of June 30, 2018, the Village's book balance of its deposits and investments was \$2,955,513; the total book balance was \$2,958,729, due to \$3,216 in cash on hand. The bank balance was \$3,020,967 which was exposed to custodial credit risk, as follows:

	Bank Balance
Insured by FDIC	\$ 1,203,966
Uninsured and uncollateralized	1,817,001
Total	\$ 3,020,967

A reconciliation of cash for the primary government follows:

Cash and cash equivalents per:	
Statement of net position	\$ 1,989,269
Statement of fiduciary net position	69,460
Total	\$ 2,058,729

As of June 30, 2018, the carrying amount and bank balances of the component units of the Village are as follows:

	Carrying Amount	Bank Balance	FDIC Insured
Downtown Development Authority	\$ 715,354	\$ 715,354	\$ 132,007

Village of Lake Orion

Notes to Financial Statements

June 30, 2018

2. Deposits and Investments (continued)

Investment and Deposit Risk

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

Deposits and Investments	Fair Value	Weighted Average Maturity
Primary Government:		
Savings and checking accounts	\$ 1,023,238	Demand
Pooled investments (share price \$1)	1,035,491	Demand
Certificates of Deposits – current investments	800,000	365 days
Certificates of Deposits – noncurrent investments	100,000	730 days
	\$ 2,958,729	
Trust Funds:		
Mutual Funds – Bonds	\$ 42,352	N/A
Mutual Funds – Equity	79,408	N/A
	\$ 121,760	

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

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

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

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

2. Deposits and Investments (continued)

Investment and Deposit Risk (continued)

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

Fair Value Measurements

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

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

The Village has the following recurring fair value measurements as of June 30, 2018.

	Balance at June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
OPEB mutual funds – fixed income	\$ 42,352	\$ 42,352	\$ -	\$ -
Equity securities				
OPEB mutual funds – equity	79,408	79,408	-	-
Total investments by fair value level	<u>\$ 121,760</u>	<u>\$ 121,760</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Oakland County Investment Pool	960,485			
Michigan CLASS	75,006			
Total investments measured at NAV	<u>1,035,491</u>			
Total investments measured at fair value	<u>\$ 1,157,251</u>			

Village of Lake Orion

Notes to Financial Statements

June 30, 2018

2. Deposits and Investments (continued)

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

Investments in Entities that Calculate Net Asset Value per Share

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

At June 30, 2018, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Oakland County Investment Pool	\$ 960,485	\$ -	No limitations	None
Michigan CLASS	75,006	-	No limitations	None
Total	<u>\$ 1,035,491</u>	<u>\$ -</u>		

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

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

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

3. Interfund Receivables, Payables, and Transfers

The transfers between funds may be summarized as follows:

Transfers In	Transfers Out	Amount
Public Works Fund	General Fund	\$ 292,443
Police Fund	General Fund	340,405
Capital Improvement Fund	General Fund	5,510
General Fund	Water Sewer Fund	103,000
General Fund	DDA	66,738
Public Works Fund	Cemetery Trust	7,000
Local Street Fund	Major Street Fund	35,000
North Shore Bridge Debt	Local Street Fund	12,822
DDA Property Acquisition Fund	DDA	233,847
		<u>\$ 1,096,765</u>

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

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

4. Capital Assets

Capital assets activity for primary government for the year ended June 30, 2018 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
General				
Capital assets not being depreciated:				
Land	\$ 498,484	\$ -	\$ -	\$ 498,484
Capital assets being depreciated:				
Land improvements	444,465	-	-	444,465
Street and road improvements	2,371,147	-	-	2,371,147
Building and improvements	1,453,679	-	-	1,453,679
Machinery and equipment	637,279	11,164	-	648,443
Vehicles	650,369	23,331	-	673,700
Total capital assets being depreciated	5,556,939	34,495	-	5,591,434
Accumulated depreciation:				
Land improvements	(374,039)	(28,158)	-	(402,197)
Street and road improvements	(785,451)	(47,423)	-	(832,874)
Building and improvements	(415,622)	(74,027)	-	(489,649)
Machinery and equipment	(523,734)	(55,621)	-	(579,355)
Vehicles	(492,682)	(44,543)	-	(537,225)
Total accumulated depreciation	(2,591,528)	(249,772)	-	(2,841,300)
Total general capital assets being depreciated, net	2,965,411	(215,277)	-	2,750,134
Total governmental activities capital assets, net	\$ 3,463,895	\$ (215,277)	\$ -	\$ 3,248,618

The depreciation expense was \$249,772 during the year.

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

<u>Governmental Activities</u>	
General government	\$ 128,033
Public safety	44,280
Public works	72,049
Recreation and culture	5,410
Total depreciation expense – governmental activities	<u>\$ 249,772</u>

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

4. Capital Assets (continued)

Business-Type Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 226,740	\$ -	\$ 226,740
Capital assets being depreciated:				
Water and sewer mains	11,373,033	20,898	-	11,393,931
Equipment	206,988	135,411	-	342,399
Intangible assets – water lines	900,713	-	-	900,713
Total capital assets being depreciated	12,480,734	156,309	-	12,637,043
Accumulated depreciation:				
Water and sewer mains	(6,379,762)	(226,762)	-	(6,606,524)
Equipment	(192,918)	(10,947)	-	(203,865)
Intangible assets – water lines	(517,912)	(22,518)	-	(540,430)
Total accumulated depreciation	(7,090,592)	(260,227)	-	(7,350,819)
Business-type capital assets being depreciated, net	5,390,142	(103,918)	-	5,286,224
Business-type activities capital assets, net	\$ 5,390,142	\$ 122,822	\$ -	\$ 5,512,964

Depreciation expense was \$260,227 during the year. All depreciation expense was charged to the water and sewer function in the statement of activities.

Component Unit – DDA	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 113,479	\$ -	\$ -	\$ 113,479
Capital assets being depreciated:				
Land improvements	798,621	9,000	-	807,621
Street and road improvements	3,047,010	219,415	-	3,266,425
Building and improvements	499,000	-	(499,000)	-
Equipment	12,774	-	-	12,774
Total capital assets being depreciated	4,357,405	228,415	(499,000)	4,086,820
Accumulated depreciation:				
Land improvements	(540,214)	(36,448)	-	(576,662)
Street and road improvements	(709,332)	(77,040)	-	(786,372)
Building and improvements	(130,986)	-	130,986	-
Equipment	(10,665)	(393)	-	(11,058)
Total accumulated depreciation	(1,391,197)	(113,881)	130,986	(1,374,092)
Component unit capital assets being depreciated, net	2,966,208	114,534	(368,014)	2,712,728
Component unit capital assets, net	\$ 3,079,687	\$ 114,534	\$ (368,014)	\$ 2,826,207

Depreciation expense was \$113,881 during the year.

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

4. Capital Assets (continued)

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

	Spent to Date	Remaining Commitment
Water main project	\$ 226,740	\$ 5,803,260

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

5. Long-Term Debt

The following is a summary of long-term debt transactions of the Village for the year ended June 30, 2018:

	Balance July 1, 2017	Add: Additional Debt Incurred	Less: Retirements and Payments on Debt	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
MTF Bonds	\$ 15,000	\$ -	\$ 15,000	\$ -	\$ -
Installment loan	24,614	-	16,214	8,400	8,400
Compensated absences	205,043	11,592	-	216,635	78,813
Total governmental activities	244,657	11,592	31,214	225,035	87,213
Business-type Activities:					
County Interceptor Bonds	942,533	-	45,698	896,835	46,903
Resource Recovery Facility Bonds	-	20,898	-	20,898	-
Drinking Water Revolving Fund Bonds	-	226,740	-	226,740	-
Compensated absences	3,695	2,240	-	5,935	500
Total business-type activities	946,228	249,878	45,698	1,150,408	47,403
Total	\$ 1,190,885	\$ 261,470	\$ 76,912	\$ 1,375,443	\$ 134,616
Component Unit – DDA:					
Long-term advance	\$ 480,000	\$ -	\$ 120,000	\$ 360,000	\$ 120,000

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

5. Long-Term Debt (continued)

The following is a summary of general obligation debt outstanding (excluding compensated absences) of the Village as of June 30, 2018:

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Governmental Activities:				
Installment loan	2	6.00-6.50%	2019	<u>\$ 8,400</u>
Business-type Activities:				
County Interceptor Bonds	7	2.00-5.90%	2035	896,835
Resource Recovery Facility Bonds	1	2.50%	2022	20,898
Drinking Water Revolving Fund Bonds	1	2.00%	2020	<u>226,740</u>
				<u>\$ 1,144,473</u>
Component Unit – DDA				
Long term advance	1	2.00%	2021	<u>\$ 360,000</u>

In July 2010, the Oakland-Macomb Interceptor Drain Drainage Board assessed the Village of Lake Orion, along with other communities within the drainage district, for the maintenance and rehabilitation of the Oakland-Macomb Interceptor Drain, under the provisions of the Michigan Drain Code, Public Act 40 of 1956, Section 526. Bonds were issued in the amount of \$26,076,000, Series 2010A, maturing in 2031 with an interest rate of 2.50%, \$6,731,484, Series 2010B, maturing in 2030 with interest rates of 1.45-5.90%, Series 2011, maturing in 2033 with an interest rate of 2.50%, \$65,140,000, Series 2013A, maturing in 2034 with an interest rate of 2.00%, Series 2014A maturing in 2034 with interest rates of 2.00-3.50%, and Series 2015 maturing in 2035 with interest rates of 2.00-3.50%. The Village's portion of .6612% of the total debt as of June 30, 2018 is \$896,835.

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

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

5. Long-Term Debt (continued)

In 2017, the Village received notice from Oakland County Water Resources Commissioner that the Clinton River Water Resource Recovery Drainage District is planning to construct a Biosolids Handling and Septage Receiving Facility. The total estimated cost of the project is approximately \$40 million. The Village's estimated share of the total expected debt issue of approximately \$29.5 million is 0.7698% or approximately \$227,000. Each of the participating communities were given the option to prepay the assessment or pay the assessment through a debt issue over 20 years. The Village elected to pay the assessment through a debt issue over 20 years. Through June 30, 2018, the Village's share of the total debt incurred to date is \$20,898.

In 2017, the Village entered into an agreement with the State of Michigan Department of Environmental Quality, Drinking Water Revolving Fund loan program to upgrade certain portions of the Village's water main infrastructure. The total amount of the loan approved is \$6,030,000. The bonds will be purchased by the Michigan Finance Authority. Annual debt service begins April 1, 2020 and continues with annual payments due through 2039. Interest on the bonds is payable semi-annually on October 1 and April 1 at 2.00% per annum. The total amount incurred to date is \$226,740.

The annual debt service requirements to maturity for general obligation debt outstanding as of June 30, 2018 are as follows:

Year Ended	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 8,400	\$ 504	\$ 46,903	\$ 25,383
2020	-	-	283,622	25,322
2021	-	-	58,294	19,419
2022	-	-	53,309	18,053
2023	-	-	51,586	16,847
2024-2028	-	-	277,852	64,487
2029-2033	-	-	280,775	28,284
2034-2035	-	-	92,132	2,269
	<u>\$ 8,400</u>	<u>\$ 504</u>	<u>\$1,144,473</u>	<u>\$ 200,064</u>

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

5. Long-Term Debt (continued)

Component Unit – DDA		
Year Ended	Principal	Interest
2019	\$ 120,000	\$ 7,200
2020	120,000	4,800
2021	120,000	1,800
	\$ 360,000	\$ 13,800

6. Employees' Retirement System

General Plan Information

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

Benefits Provided

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

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

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

6. Employees' Retirement System (continued)

As of the December 31, 2017 measurement date, the following employees were covered by the benefit terms:

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

Contributions

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

For the year ended June 30, 2018, the average active employee contribution rate was 5.00% of gross wages for police union employees and 5.00% of gross wages for public works employees. The Village's contribution rate was a monthly flat rate of \$20,707.

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

6. Employees' Retirement System (continued)

Net Pension Liability

The net pension liability reported as of June 30, 2018 was determined using a measure of the total pension liability and the plan net position as of December 31, 2017. The December 31, 2017 total pension liability was determined by an actuarial valuation performed as of that date.

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

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance as of December 31, 2016	\$ 3,885,315	\$ 2,588,396	\$ 1,296,919
Service cost	28,897	-	28,897
Interest	300,398	-	300,398
Contributions – employer	-	181,860	(181,860)
Contributions – employee	-	14,011	(14,011)
Net investment income	-	336,390	(336,390)
Differences between expected and actual experience	(45,443)	-	(45,443)
Change in assumptions	-	-	-
Benefit payments, including refunds	(289,575)	(289,575)	-
Administrative expenses	-	(5,331)	5,331
Net changes	(5,723)	237,355	(243,078)
Balance as of December 31, 2017	<u>\$ 3,879,592</u>	<u>\$ 2,825,751</u>	<u>\$ 1,053,841</u>

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

6. Employees' Retirement System (continued)

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

For the year ending June 30, 2018, the Village recognized a pension expense of \$59,150. At June 30, 2018, the Village reported deferred inflows and outflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments*	\$ -	\$ 44,169
Employer contributions to plan subsequent to the measurement date**	124,242	-
Total	\$ 124,242	\$ 44,169

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

Years Ending June 30	Amount
2019	\$ (12,912)
2020	(12,912)
2021	43,338
2022	26,655

** The amount reported as deferred outflow of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the fiscal year ending June 30, 2019.

Actuarial Assumptions

The total pension liability in the December 31, 2017 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, 2018

6. Employees' Retirement System (continued)

Actuarial Assumptions (continued)

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of the most recent actuarial experience study in 2013.

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

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2017, the measurement date, for each major asset class are summarized in the following table:

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

Discount Rate

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

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

6. Employees' Retirement System (continued)

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability	\$ 1,396,151	\$ 1,053,841	\$ 755,522

7. Post-Employment Healthcare Benefits

Plan Administration

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

OPEB Plan Membership

As of June 30, 2018, the OPEB plan membership data is as follows:

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

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

7. Post-Employment Healthcare Benefits (continued)

Benefits Provided

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

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

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

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

Contributions

The OPEB plan was established and is being funded under the authority of the Village. The OPEB plan's funding policy is that the Village will contribute up to \$10,000 to the OPEB trust fund in 2019 and discretionary amounts if able in subsequent years. The Village has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, the plan may be financed on a "pay-as-you-go" basis). There are no long-term contracts for contributions to the plan. The OPEB plan has no legally required reserves. For the year-ended June 30, 2018 the Village contributed \$87,425 for insurance premiums and \$10,000 to the Retiree Healthcare Trust Fund, while OPEB plan participants contributed \$19,113 for insurance premiums during the year ended June 30, 2018.

Summary of Significant Accounting Policies

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

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

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

7. Post-Employment Healthcare Benefits (continued)

OPEB Plan Investments

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

Net OPEB Liability

The components of the net OPEB liability of the Village as of June 30, 2018, were as follows:

Total OPEB Liability	\$ 2,192,538
OPEB Plan Fiduciary Net Position	(121,760)
Net OPEB Liability	\$ 2,070,778
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	5.6%

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2018. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal (level percentage of compensation)
Salary Increases	Not applicable
Inflation	3.00%
Discount Rate	5.63% for June 30, 2018 liability and 2019 contribution
Investment Rate of Return	5.63%
Healthcare Cost Trend Rates – pre-65	8.00% per year graded down to an ultimate rate of 5.00% over 6 years
Healthcare Cost Trend Rates – post-65	5.00% in all years
Mortality	2018 IRS 1.430(h) Annuitant and Non-annuitant (sex distinct) tables

Village of Lake Orion

Notes to Financial Statements

June 30, 2018

7. Post-Employment Healthcare Benefits (continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic rates of return for each major asset class included in the retirement plan's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	67.40%	7.35%
Global fixed income	28.90%	4.97%
Real assets	2.10%	4.36%
Diversifying strategies	1.60%	0.76%
	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total OPEB liability was 5.63%. Because the covered group is closed to new entrants and the Village continues to make benefit payments on a pay-as-you-go basis, assets will theoretically not be depleted and no cross-over point will occur so the average rate above is used for the discount rate. As long as benefits are paid from general operating funds, those benefits ought to be discounted at the municipal bond rate and a lower discount rate would result in a higher liability.

June 30, 2018 is the first year of required compliance with GASB 75, so there is no required discount rate change to disclose.

Village of Lake Orion

Notes to Financial Statements

June 30, 2018

7. Post-Employment Healthcare Benefits (continued)

Changes in the Net OPEB Liability			
	<u>Increase (Decrease)</u>		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances as of July 1, 2017	\$ 2,134,717	\$ 103,539	\$ 2,031,178
Changes for the Year:			
Service cost	26,056	-	26,056
Interest on the total OPEB liability	119,190	-	119,190
Changes in benefits	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Employer contributions to OPEB Trust	-	10,000	(10,000)
Contributions paid from general operating funds	-	87,425	(87,425)
Net investment income	-	8,775	(8,775)
Benefit payments, including employee refunds	(87,425)	(87,425)	-
Administrative expense	-	(554)	554
Other changes	-	-	-
Net changes	57,821	18,221	39,600
Balances as of June 30, 2018	\$ 2,192,538	\$ 121,760	\$ 2,070,778

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

	1% Decrease (4.63%)	Current Discount Rate (5.63%)	1% Increase (6.63%)
Net OPEB Liability	\$ 2,359,807	\$ 2,070,778	\$ 1,830,313

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

7. Post-Employment Healthcare Benefits (continued)

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

	1% Decrease (4.00%)	Current Healthcare Cost Trend Rates (5.00%)	1% Increase (6.00%)
Net OPEB Liability	\$ 1,810,045	\$ 2,070,778	\$ 2,386,556

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

For the year ended June 30, 2018, the Village recognized OPEB expense as follows:

	OPEB Expense
Service cost	\$ 26,056
Interest on the total OPEB liability	119,190
Experience (gains) / losses	-
Changes in assumptions	-
Employee contributions	-
Projected earnings on OPEB investments	(6,095)
Investment earnings (gains)/losses	(536)
Administrative expense	554
Other changes	-
Total OPEB expense	\$ 139,169

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

7. Post-Employment Healthcare Benefits (continued)

At June 30, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	2,145
Total	\$ -	\$ 2,145

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

Year ended June 30	
2019	\$ (536)
2020	(536)
2021	(536)
2022	(537)

8. Property Taxes

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

Village of Lake Orion

Notes to Financial Statements

June 30, 2018

8. Property Taxes (continued)

The Village is permitted by State law to levy taxes up to \$20 per \$1,000 of equalized valuation for general governmental services. The 2017 taxable valuation of the Village totaled \$97.6 million. The following is a summary of the tax rates levied on the 2017 tax roll:

<u>Purpose</u>	<u>Millage Rate</u>	<u>Revenue</u>
General operating	10.1136	\$ 987,090
Police millage – operations	2.9242	285,403

Under terms of an agreement with the Charter Township of Orion, the Township remits to the Village the equivalent of two mills (as rolled back by State law) of property taxes, which represents a special-voted tax levied on all Township residents (including Village residents) for police services. In accordance with the agreement, the Village will decrease its tax levy by an equal amount. The December 31, 2017 Township tax levy is paid by residents through February 2018. The Township remits its payment to the Village through June 2018, which will be used to replace the July 1, 2018 tax levy.

9. Risk Management

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

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

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

Village of Lake Orion
Notes to Financial Statements

June 30, 2018

10. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

1. The Village charter requires two regular council meetings per month. By the first meeting in April, a proposed operating budget must be submitted to the Village Council for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and means of financing them for the upcoming year.
2. A public hearing and adoption of the budget is required by the first meeting in May.
3. On or before June 15, the tax rate must be set and the budget is legally enacted through the passage of a budget resolution (general appropriation act).
4. Formal budgetary integration is employed as a management control device for the general and special revenue funds. Budgets for these funds are prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP). The general fund and special revenue fund budgets are adopted at the activity level.
5. Budgetary appropriations lapse at year-end.
6. The Village Council may authorize supplemental appropriations (budget amendments) during the year. In fiscal year 2018, several budget amendments were made.

Village of Lake Orion

Notes to Financial Statements

June 30, 2018

10. Stewardship, Compliance, and Accountability (continued)

Excess Expenditures over Appropriations in Budgeted Funds

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

During the year ended June 30, 2018, the Village did not incur expenditures in excess of the amounts appropriated for the general and special revenue funds.

11. Joint Venture

North Oakland Transportation Authority

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

12. Tax Abatements

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

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

Required Supplementary Information

Village of Lake Orion

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

Year Ended June 30, 2018

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

Notes to schedule:

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

Village of Lake Orion

Schedule of Pension Contributions Last Ten Fiscal Years

Year Ended June 30, 2018

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarial determined contributions	\$ 175,164	\$ 115,236	\$ 112,908	\$ 102,012	\$ 113,016	\$ 102,960	\$ 89,448	\$ 67,977	\$ 69,506	\$ 100,373	\$ 114,137
Contributions in relation to the actuarially determined contribution	181,860	115,236	112,908	102,012	113,016	102,960	89,448	67,977	69,506	100,373	114,137
Contribution deficiency (excess)	\$ (6,696)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 280,322	\$ 277,342	\$ 268,611	\$ 324,635	\$ 378,751	\$ 489,211	\$ 666,239	\$ 667,434	\$ 659,155	\$ 834,509	\$ 905,082
Contributions as a percentage of covered employee payroll	62.5%	41.6%	42.0%	31.4%	29.8%	21.0%	13.4%	10.2%	10.5%	12.0%	12.6%

Notes to schedule

Actuarial valuation information relative to the determination of contributions:

Valuation date

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

Methods and assumptions used to determine contribution rates:

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

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

Village of Lake Orion

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

Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 26,056
Interest	119,190
Changes in benefits	-
Difference between expected and actual experience	-
Changes in assumptions	-
Benefit payments including refunds	(87,425)
Net change in total pension liability	<u>57,821</u>
Total pension liability at beginning of year	<u>2,134,717</u>
Total pension liability at end of year	<u><u>\$ 2,192,538</u></u>
 Plan fiduciary net position	
Contributions to OPEB trust	10,000
Contributions/benefit payments made from general operating funds	87,425
Net investment income	8,775
Benefit payments including refunds	(87,425)
Administrative expense	(554)
	<u>18,221</u>
Net change in plan fiduciary net position	18,221
Plan fiduciary net position at beginning of year	<u>103,539</u>
Plan fiduciary net position at end of year	<u><u>\$ 121,760</u></u>
	<u><u>\$ 2,070,778</u></u>
 Villages net pension liability at end of year	 <u><u>\$ 2,070,778</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	 5.6%
 Covered employee payroll	 Not Avail.
 Employer's net pension liability as a percentage of covered employee payroll	 Not Avail.

Village of Lake Orion

Schedule of OPEB Contributions

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

Year Ended June 30, 2018

	2018
Service cost	\$ 27,523
Amortization of unfunded liability	226,285
Actuarially determined employer contribution	253,808
Contributions in relation to the actuarially determined contribution	97,425
Contribution deficiency (excess)	\$ 156,383
Covered employee payroll	Not Avail.
Contributions as a percentage of covered employee payroll	Not Avail.

Notes to schedule

Actuarial valuation information relative to the determination of contributions:

Valuation date June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of compensation
Remaining amortization period	11 years
Asset valuation method	Equal to market value of assets
Inflation	3.00%
Salary increases	3.00% including inflation
Investment rate of return	5.63%
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	2018 IRS 1.430(h) Annuitant and Non-annuitant (sex distinct) tables

Village of Lake Orion

General Fund

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

Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property taxes	\$ 984,554	\$ 984,554	\$ 985,523	\$ 969
Penalties and interest	2,000	2,000	4,832	2,832
In lieu of taxes	38,297	38,297	29,821	(8,476)
Other taxes	-	-	932	932
Intergovernmental – Federal/CDBG	9,456	9,456	5	(9,451)
Intergovernmental – State	258,751	274,751	316,855	42,104
Charges for services	193,000	193,000	186,309	(6,691)
Interest earnings	800	800	3,185	2,385
Other revenues	3,000	54,196	70,455	16,259
Total revenues	1,489,858	1,557,054	1,597,917	40,863
Expenditures				
General government:				
Village council	3,021	3,021	1,885	1,136
Village manager	104,612	104,612	98,545	6,067
Clerk	85,072	88,250	85,135	3,115
Treasurer	92,114	110,129	84,842	25,287
Municipal building	316,887	328,824	307,796	21,028
Data processing and information technology	24,352	24,352	22,820	1,532
Professional services	36,450	44,450	38,705	5,745
	<u>662,508</u>	<u>703,638</u>	<u>639,728</u>	<u>63,910</u>
Public works:				
Sanitation	164,160	164,160	164,160	-
Street lighting	42,500	82,233	79,382	2,851
	<u>206,660</u>	<u>246,393</u>	<u>243,542</u>	<u>2,851</u>
Community and economic development:				
Community development and block grant	3,115	3,115	1,098	2,017
Planning and zoning	40,335	56,335	51,422	4,913
	<u>43,450</u>	<u>59,450</u>	<u>52,520</u>	<u>6,930</u>
Recreation and cultural:				
Parks and Recreation	28,882	77,325	74,252	3,073
Other functions:				
Insurance	73,000	73,000	64,946	8,054
Total expenditures	1,014,500	1,159,806	1,074,988	84,818
Excess of revenues over expenditures	475,358	397,248	522,929	125,681
Other financing sources (uses):				
Transfers in	163,000	171,363	169,738	1,625
Transfers out	(638,358)	(638,358)	(638,358)	-
Total other financing sources (uses)	(475,358)	(466,995)	(468,620)	1,625
Net change in fund balance	-	(69,747)	54,309	124,056
Fund balance at beginning of period	425,468	425,468	425,468	-
Fund balance at end of period	\$ 425,468	\$ 355,721	\$ 479,777	\$ 124,056

Village of Lake Orion

Public Works Fund

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

Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Charges for services	\$ 31,200	\$ 31,200	\$ 31,200	\$ -
Equipment rental	83,000	83,000	82,672	(328)
Cemetery	25,000	26,000	23,241	(2,759)
Interest income	200	200	170	(30)
Other	18,275	20,175	3,088	(17,087)
Total revenues	<u>157,675</u>	<u>160,575</u>	<u>140,371</u>	<u>(20,204)</u>
Expenditures				
Public works:				
Wages and benefits	298,864	310,348	284,535	25,813
Repairs and maintenance	32,000	35,980	35,420	560
Capital outlay	-	11,164	11,164	-
Other	39,600	39,677	33,912	5,765
Cemetery	67,255	72,001	59,790	12,211
Phase II Stormwater	20,399	22,325	19,546	2,779
Total expenditures	<u>458,118</u>	<u>491,495</u>	<u>444,367</u>	<u>47,128</u>
Excess (deficiency) of revenues over expenditures	<u>(300,443)</u>	<u>(330,920)</u>	<u>(303,996)</u>	<u>26,924</u>
Other financing sources (uses):				
Transfers in	300,443	299,443	299,443	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>300,443</u>	<u>299,443</u>	<u>299,443</u>	<u>-</u>
Net change in fund balance	-	(31,477)	(4,553)	26,924
Fund balance at beginning of year	52,579	52,579	52,579	-
Fund balance at end of year	<u>\$ 52,579</u>	<u>\$ 21,102</u>	<u>\$ 48,026</u>	<u>\$ 26,924</u>

Village of Lake Orion

Police Fund

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

Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property taxes	\$ 290,929	\$ 290,929	\$ 299,962	\$ 9,033
Intergovernmental – State	1,000	1,000	991	(9)
Intergovernmental – Local	8,000	10,000	16,697	6,697
Charges for services	85,322	86,322	90,493	4,171
Fines and forfeitures	51,000	51,000	40,110	(10,890)
Interest	-	-	109	109
Other	6,000	8,459	8,819	360
Total revenues	<u>442,251</u>	<u>447,710</u>	<u>457,181</u>	<u>9,471</u>
Expenditures				
Wages and benefits	621,235	624,650	600,961	23,689
Other	143,688	145,332	123,918	21,414
Debt service	17,733	18,133	18,070	63
Capital outlay	-	38,992	23,331	15,661
Total expenditures	<u>782,656</u>	<u>827,107</u>	<u>766,280</u>	<u>60,827</u>
Excess of revenues over (under) expenditures	<u>(340,405)</u>	<u>(379,397)</u>	<u>(309,099)</u>	<u>70,298</u>
Other financing sources (uses):				
Transfers in	340,405	340,405	340,405	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>340,405</u>	<u>340,405</u>	<u>340,405</u>	<u>-</u>
Net change in fund balance	-	(38,992)	31,306	70,298
Fund balance at beginning of year	49,483	49,483	49,483	-
Fund balance at end of year	<u>\$ 49,483</u>	<u>\$ 10,491</u>	<u>\$ 80,789</u>	<u>\$ 70,298</u>

Other Supplementary Information

Village of Lake Orion

Nonmajor Governmental Funds
Combining Balance Sheet

June 30, 2018

	Special Revenue		Debt Service	Capital Project	Permanent Fund	
	Major Street	Local Street	North Shore Bridge	Capital Improvement	Cemetery Perpetual Care	Total
Assets						
Cash	\$ 326,119	\$ 102,082	\$ -	\$ 7,902	\$ 68,411	\$ 504,514
Current investments	-	-	-	-	200,000	200,000
Accounts receivable	-	-	-	-	1,735	1,735
Due from State	30,311	13,117	-	-	-	43,428
Prepaid expenses	428	586	-	-	-	1,014
Total assets	\$ 356,858	\$ 115,785	\$ -	\$ 7,902	\$ 270,146	\$ 750,691
Liabilities and fund balance						
Liabilities:						
Accounts payable	\$ 5,494	\$ 11,313	\$ -	\$ -	\$ 901	\$ 17,708
Fund balance:						
Nonspendable – prepaid	428	586	-	-	-	1,014
Restricted for streets	350,936	103,886	-	-	-	454,822
Restricted for capital projects	-	-	-	7,902	-	7,902
Restricted for perpetual care	-	-	-	-	269,245	269,245
Total fund balance	351,364	104,472	-	7,902	269,245	732,983
Total liabilities and fund balance	\$ 356,858	\$ 115,785	\$ -	\$ 7,902	\$ 270,146	\$ 750,691

Village of Lake Orion

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

Year Ended June 30, 2018

	Special Revenue		Debt Service	Capital Project	Permanent Fund	
	Major Street	Local Street	North Shore Bridge	Capital Improvement	Cemetery Perpetual Care	Total
Revenues						
State-shared revenue	\$ 190,188	\$ 82,264	\$ -	\$ -	\$ -	\$ 272,452
Charges for services	-	-	-	-	7,724	7,724
Interest earned	1,504	669	-	2	1,651	3,826
Other revenues	34,652	1,341	-	-	-	35,993
Total revenues	226,344	84,274	-	2	9,375	319,995
Expenditures						
Highways, streets, sidewalks and other maintenance	164,115	134,913	-	-	-	299,028
Debt service:						
Principal	-	-	15,000	-	-	15,000
Interest and other charges	-	-	457	-	-	457
Total expenditures	164,115	134,913	15,457	-	-	314,485
Excess (deficiency) of revenues over expenditures	62,229	(50,639)	(15,457)	2	9,375	5,510
Other financing sources (uses):						
Operating transfers in	-	35,000	12,822	5,510	-	53,332
Operating transfers out	(35,000)	(12,822)	-	-	(7,000)	(54,822)
Total other financing sources (uses):	(35,000)	22,178	12,822	5,510	(7,000)	(1,490)
Change in fund balance	27,229	(28,461)	(2,635)	5,512	2,375	4,020
Fund balance at beginning of year	324,135	132,933	2,635	2,390	266,870	728,963
Fund balance at end of year	\$ 351,364	\$ 104,472	\$ -	\$ 7,902	\$ 269,245	\$ 732,983

Village of Lake Orion

Combining Balance Sheet
Component Unit – DDA

June 30, 2018

	Downtown Development Authority	DDA Property Acquisition Fund	Total
Assets			
Cash	\$ 480,909	\$ 234,445	\$ 715,354
Due from other governments	2,602	-	2,602
Prepaid expenditures	3,569	-	3,569
Total assets	<u>\$ 487,080</u>	<u>\$ 234,445</u>	<u>\$ 721,525</u>
Liabilities and fund balance			
Accounts payable and accrued liabilities	\$ 13,345	\$ -	\$ 13,345
Fund balance	473,735	234,445	708,180
Total liabilities and fund balance	<u>\$ 487,080</u>	<u>\$ 234,445</u>	<u>\$ 721,525</u>

Reconciliation to statement of net position:

Fund balance as of June 30, 2018	\$ 708,180
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,826,207
Long-term liabilities, including long term advance, are not due and payable in the current period and, therefore, are not reported in the funds.	(360,000)
Net position of governmental activities – component unit	<u>\$ 3,174,387</u>

Village of Lake Orion

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

Year Ended June 30, 2018

	Downtown Development Authority	DDA Property Acquisition Fund	Total
Revenues			
Property taxes	\$ 680,357	\$ -	\$ 680,357
Other taxes	12,131	-	12,131
Sale of fixed assets	466,846	-	466,846
Interest	2,761	-	2,761
Other revenues	34,925	-	34,925
Total revenues	<u>1,197,020</u>	<u>-</u>	<u>1,197,020</u>
Expenditures			
Community development	308,661	-	308,661
Debt service:			
Principal	120,000	-	120,000
Interest and other charges	9,600	-	9,600
Capital outlay	231,689	-	231,689
Total expenditures	<u>669,950</u>	<u>-</u>	<u>669,950</u>
Excess (deficiency) of revenues over expenditures	527,070	-	527,070
Other financing sources (uses)			
Transfers in	-	233,847	233,847
Transfers out	(300,585)	-	(300,585)
Total other financing sources (uses)	<u>(300,585)</u>	<u>233,847</u>	<u>(66,738)</u>
Net change in fund balance	226,485	233,847	460,332
Fund balance at beginning of year	247,250	598	247,848
Fund balance at end of year	<u>\$ 473,735</u>	<u>\$ 234,445</u>	<u>\$ 708,180</u>

Reconciliation to statement of activities:

Net change in fund balance as of June 30, 2018 \$ 460,332

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	228,415
Depreciation expense	(113,881)
Disposal	(368,014)

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

Principal repayments	120,000
Change in net position-component unit	<u>\$ 326,852</u>

Village of Lake Orion

Schedule of Indebtedness
Governmental Funds

June 30, 2018

2017 Installment Purchase Agreement

Ford Police Interceptor Vehicle

Date of Issue: March 15, 2017

Total Issue \$25,232

Due As Follows:

Interest Rate	Date of Maturity	Principal Amount	Annual Interest Payable	Total Obligation
6.00%	3/15/2019	\$ 8,400	\$ 504	\$ 8,904
		<u>\$ 8,400</u>	<u>\$ 504</u>	<u>\$ 8,904</u>

Village of Lake Orion

Schedule of Indebtedness
Proprietary Funds

June 30, 2018

2010A Oakland-Macomb Interceptor Drain Bond
Date of Issue: January 22, 2010
Village of Lake Orion Portion \$172,415 (.6612%)
Interest Due April 1 and October 1
Bonds Due As Follows:

Interest Rate	Date of Maturity	Principal Amount	Annual Interest Payable	Total Obligation
2.50%	4/1/2019	\$ 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>\$ 121,595</u>	<u>\$ 22,339</u>	<u>\$ 143,934</u>

2010B Oakland-Macomb Interceptor Drain Bond
Date of Issue: January 22, 2010
Village of Lake Orion Portion \$44,300 (.6612%)
Interest Due April 1 and October 1
Bonds Due as Follows:

Interest Rate	Date of Maturity	Principal Amount	Annual Interest Payable	Total Obligation
4.70%	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>\$ 31,440</u>	<u>\$ 12,815</u>	<u>\$ 44,255</u>

Village of Lake Orion

Schedule of Indebtedness
Proprietary Funds

June 30, 2018

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

Interest Rate	Date of Maturity	Principal Amount	Annual Interest Payable	Total Obligation
2.50%	10/1/2018	\$ 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>\$ 173,561</u>	<u>\$ 36,974</u>	<u>\$ 210,535</u>

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

Interest Rate	Date of Maturity	Principal Amount	Annual Interest Payable	Total Obligation
2.00%	10/1/2018	\$ 19,752	\$ 7,708	\$ 27,460
2.00%	10/1/2019	20,134	7,309	27,443
2.00%	10/1/2020	20,551	6,902	27,453
2.00%	10/1/2021	20,967	6,487	27,454
2.00%	10/1/2022	21,384	6,064	27,448
2.00%	10/1/2023	21,800	5,632	27,432
2.00%	10/1/2024	22,252	5,191	27,443
2.00%	10/1/2025	22,668	4,742	27,410
2.00%	10/1/2026	23,154	4,284	27,438
2.00%	10/1/2027	23,605	3,816	27,421
2.00%	10/1/2028	24,091	3,339	27,430
2.00%	10/1/2029	24,543	2,853	27,396
2.00%	10/1/2030	25,063	2,357	27,420
2.00%	10/1/2031	25,549	1,851	27,400
2.00%	10/1/2032	26,070	1,335	27,405
2.00%	10/1/2033	26,591	808	27,399
2.00%	10/1/2034	27,228	271	27,499
		<u>\$ 395,402</u>	<u>\$ 70,949</u>	<u>\$ 466,351</u>

Village of Lake Orion

Schedule of Indebtedness
Proprietary Funds

June 30, 2018

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

Interest Rate	Date of Maturity	Principal Amount	Annual Interest Payable	Total Obligation
2.00%	10/1/2018	\$ 2,742	\$ 1,521	\$ 4,263
2.00%	10/1/2019	2,788	1,466	4,254
2.00%	10/1/2020	2,879	1,409	4,288
2.00%	10/1/2021	2,925	1,351	4,276
2.00%	10/1/2022	3,016	1,292	4,308
2.00%	10/1/2023	3,107	1,231	4,338
2.00%	10/1/2024	3,153	1,168	4,321
3.00%	10/1/2025	3,245	1,087	4,332
3.00%	10/1/2026	3,382	988	4,370
3.00%	10/1/2027	3,473	886	4,359
3.00%	10/1/2028	3,564	780	4,344
3.00%	10/1/2029	3,701	671	4,372
3.00%	10/1/2030	3,793	559	4,352
3.00%	10/1/2031	3,930	443	4,373
3.00%	10/1/2032	4,067	323	4,390
2.50%	10/1/2033	4,204	199	4,403
3.125%	10/1/2034	4,341	68	4,409
		<u>\$ 58,310</u>	<u>\$ 15,442</u>	<u>\$ 73,752</u>

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

Interest Rate	Date of Maturity	Principal Amount	Annual Interest Payable	Total Obligation
2.25%	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>\$ 58,251</u>	<u>\$ 18,358</u>	<u>\$ 76,609</u>

Village of Lake Orion

Schedule of Indebtedness
Proprietary Funds

June 30, 2018

2015 Oakland-Macomb Interceptor Drain Bond – SAW Loan

Date of Issue: April 2015

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

Interest Due April 1 and October 1

Bonds Due As Follows:

Interest Rate	Date of Maturity	Principal Amount	Annual Interest Payable	Total Obligation
2.50%	4/1/2019	\$ 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>\$ 58,185</u>	<u>\$ 13,947</u>	<u>\$ 72,132</u>

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

Date of Issue: July 2017

Village of Lake Orion Portion \$20,898 (.7698%)

Interest Due April 1 and October 1

Bonds Due As Follows:

Interest Rate	Date of Maturity	Principal Amount	Annual Interest Payable	Total Obligation
2.50%	10/1/2018	\$ -	\$ 305	\$ 305
2.50%	10/1/2019	8,852	412	9,264
2.50%	10/1/2020	9,083	188	9,271
2.50%	10/1/2021	2,963	-	2,963
		<u>\$ 20,898</u>	<u>\$ 905</u>	<u>\$ 21,803</u>

Village of Lake Orion

Schedule of Indebtedness
Proprietary Funds

June 30, 2018

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

Total Outstanding: \$226,740 (3.76% of \$6,030,000)

Interest Due April 1 and October 1

Loan Due As Follows:

Interest Rate	Date of Maturity	Principal Amount	Annual Interest Payable	Total Obligation
2.00%	4/1/2019	\$ -	\$ 3,401	\$ 3,401
2.00%	4/1/2020	226,740	4,535	231,275
		<u>\$ 226,740</u>	<u>\$ 7,936</u>	<u>\$ 234,676</u>