

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

**AUDITED FINANCIAL REPORT**

**For the Fiscal Year Ended  
June 30, 2013**



VILLAGE OF LAKE ORION  
For the Year Ended June 30, 2013  
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FINANCIAL SECTION





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Deborah M. Cox, C.P.A.

### Independent Auditor's Report

October 11, 2013

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Lake Orion, Michigan, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, Michigan, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

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

***Other Information***

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

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

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

Respectfully,

A handwritten signature in black ink, appearing to read "PSLZ LLP", is written over the typed name.

PSLZ LLP  
Certified Public Accountants





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## Management's Discussion and Analysis

As management of the Village of Lake Orion, we offer readers of the Village of Lake Orion's financial statements this narrative overview and analysis of the financial activities of the Village of Lake Orion for the fiscal year ended June 30, 2013. All amounts, unless otherwise indicated, are expressed in whole dollars.

### Financial Highlights

- The assets of the Village of Lake Orion exceeded its liabilities at the close of the most recent fiscal year by \$11,289,238 (*net position*). Of this amount, \$2,786,566 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Village's total net position increased by \$227,916.
- At the close of the most recent fiscal year, the Village of Lake Orion's governmental funds reported combined ending fund balances of \$1,062,265. Approximately 38 percent of this total amount, \$402,620 is *available for spending* at the government's discretion (*assigned and unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$282,991, or 25 percent of total general fund expenditures before operating transfers.
- The Village of Lake Orion's total debt decreased by \$381,434 (33 percent) during the current fiscal year, due to annual debt service payments net of debt issued.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Village of Lake Orion's basic financial statements, which have three components:

- 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

indicator of whether the financial position of the Village of Lake Orion is improving or deteriorating.

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

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

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

The government-wide financial statements can be found on pages 12-14 of this report.

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

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

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

balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

The basic governmental fund financial statements can be found on pages 15-17 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 18-20 of this report.

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

The basic fiduciary fund financial statement can be found on page 21 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-43 of this report.

## Government-wide Financial Analysis

Assets exceeded liabilities by \$11,289,238 at the close of the most recent fiscal year. Of the Village of Lake Orion's net position, 70 percent reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Village of Lake Orion uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net position increased by \$227,916 during the current fiscal year.

Village of Lake Orion's Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 1,256,543	\$ 958,563	\$ 3,294,868	\$ 3,275,095	\$ 4,551,411	\$ 4,233,658
Capital Assets	2,849,883	2,937,017	5,527,472	5,753,582	8,377,355	8,690,599
Total Assets	<u>4,106,426</u>	<u>3,895,580</u>	<u>8,822,340</u>	<u>9,028,677</u>	<u>12,928,766</u>	<u>12,924,257</u>
Long-term liabilities outstanding	798,405	902,158	413,843	567,776	1,212,248	1,469,934
Other liabilities	194,278	194,035	233,002	198,966	427,280	393,001
Total Liabilities	<u>992,683</u>	<u>1,096,193</u>	<u>646,845</u>	<u>766,742</u>	<u>1,639,528</u>	<u>1,862,935</u>
Net Position:						
Invested in capital assets, net of related debt	2,742,821	2,652,017	5,121,399	5,199,078	7,864,220	7,851,095
Restricted	638,452	497,015	-	3,894	638,452	500,909
Unrestricted	(267,530)	(349,645)	3,054,096	3,058,963	2,786,566	2,709,318
Total Net Position	<u>\$ 3,113,743</u>	<u>\$ 2,799,387</u>	<u>\$ 8,175,495</u>	<u>\$ 8,261,935</u>	<u>\$ 11,289,238</u>	<u>\$ 11,061,322</u>



Village of Lake Orion - Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	\$ 714,137	\$ 671,167	\$ 1,290,762	\$ 1,173,047	\$ 2,004,899	\$ 1,844,214
Operating Grants & Contributions	518,696	436,690	-	-	518,696	436,690
Capital Grants & Contributions	3,300	16,287	1,420	34,535	4,720	50,822
General Revenues:						
Property Taxes	1,088,732	1,047,958	140,023	147,421	1,228,755	1,195,379
State Shared Revenues	238,975	222,656	-	-	238,975	222,656
Unrestricted Investment Earnings	3,282	3,868	34,758	21,825	38,040	25,693
<b>Total Revenues</b>	<b>2,567,122</b>	<b>2,398,626</b>	<b>1,466,963</b>	<b>1,376,828</b>	<b>4,034,085</b>	<b>3,775,454</b>
Expenses:						
General Government	583,925	619,387	-	-	583,925	619,387
Public Safety	824,797	909,639	-	-	824,797	909,639
Public Works	762,928	806,325	-	-	762,928	806,325
Health and Welfare	-	10,336	-	-	-	10,336
Community Development	43,461	72,885	-	-	43,461	72,885
Recreation and Cultural	29,290	33,363	-	-	29,290	33,363
Interest on Long-Term Debt	8,365	19,159	-	-	8,365	19,159
Water and Sewer	-	-	1,553,403	1,452,291	1,553,403	1,452,291
<b>Total Expenses</b>	<b>2,252,766</b>	<b>2,471,094</b>	<b>1,553,403</b>	<b>1,452,291</b>	<b>3,806,169</b>	<b>3,923,385</b>
<b>Change in Net Position</b>	<b>314,356</b>	<b>(72,468)</b>	<b>(86,440)</b>	<b>(75,463)</b>	<b>227,916</b>	<b>(147,931)</b>
Net Position, Beginning of Year	2,799,387	2,871,855	8,261,935	8,337,398	11,061,322	11,209,253
<b>Net Position, End of Year</b>	<b>\$ 3,113,743</b>	<b>\$ 2,799,387</b>	<b>\$ 8,175,495</b>	<b>\$ 8,261,935</b>	<b>\$ 11,289,238</b>	<b>\$ 11,061,322</b>

**Governmental activities.** Governmental activities increased net position by \$314,356. Key elements of the net position increase for Governmental activities (\$ rounded to thousands) are as follows:

- Increase in property tax revenue 40,000
- Increase in police interlocal revenue 82,000
- Increase in state shared revenue 16,000
- Decrease in accumulated compensated absences 49,500
- Decrease in Department of Public Works expenses 107,000

**Business-type activities.** Business-type activities decreased net position by \$86,440. This decrease is mostly due to an increase of approximately \$44,000 in water purchases from Orion Township (City of Detroit water) and approximately \$25,000 in sewage disposal costs during the year, along with approximately \$33,000 less in tap fees collected in fiscal year 2013 than in 2012.

## Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$1,062,265, approximately 38 percent of this total amount (\$402,620) constitutes *assigned and unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *nonspendable* (prepaid expenditures) or *restricted* to indicate that it is not available for new spending because it has already been committed 1) for police, streets, debt service, capital projects, or to generate income to pay for the perpetual care of the municipal cemetery.

Total governmental fund balances increased \$297,737 for the 2012-2013 fiscal year as compared to a decrease of \$43,006 in the 2011-2012 fiscal year.

The General Fund is the chief operating fund of the Village of Lake Orion. At the end of the current fiscal year, unassigned fund balance of the general fund was \$282,991, while total fund balance was \$423,813. Unassigned fund balance represents 25 percent of total general fund expenditures before operating transfers, while total fund balance represents 37 percent of that same amount. The fund balance of the Village of Lake Orion's General Fund increased \$156,300 during the current fiscal year.

The Police Fund has a total fund balance of \$134,759. The total Police fund balance represents an increase of \$127,687 in comparison with the prior year, which is mostly due to increased General Fund contributions.

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

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$3,054,096. The Water and Sewer Fund had an operating loss of \$251,692 at year end, and a total net loss of \$86,440, as compared to an operating loss of \$264,598 and total net loss of \$75,463 in the prior fiscal year.

## General Fund Budgetary Highlights

There was a \$30,000 increase in budgeted revenues between the original budget and the final amended budget. The adjustments were to account for a potential increase in state shared revenues.

## **Capital Asset and Debt Administration**

**Capital assets.** The Village of Lake Orion's investment in capital assets for its governmental and business type activities is \$8,377,355 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, machinery and equipment, park facilities, roads, and bridges. The change in the Village of Lake Orion's investment in capital assets for the current fiscal year was a 3 percent decrease for governmental activities, and a .1 percent decrease in business-type activities. The Village purchased 2 police vehicles during fiscal year 2013 which were financed through an installment purchase loan over 3 years.

Additional information on the Village of Lake Orion's capital assets can be found in note III.B on pages 32-33 of this report.

### **Long-term debt.**

At the end of the current fiscal year, the Village of Lake Orion had total bond debt outstanding of \$481,073. Of this amount, \$75,000 is governmental, and \$406,073 is business-type. The Village of Lake Orion's total bond debt decreased by \$358,431 (43 percent) during the current fiscal year as a result of the Village's final payments of the 1998 General Obligation Bonds and the 2003 General Obligation Water Refunding Bonds during fiscal year 2013.

During fiscal year 2013, the Village entered into an installment purchase agreement for the purchase of 2 police vehicles to be financed over a 3 year period.

At the end of the current fiscal year, the Village of Lake Orion's Component Unit (DDA) had an advance to the Water & Sewer Fund outstanding of \$960,000 to assist the DDA in financing the streetscape project.

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

## **Economic Factors and Future Budgets and Rates**

For the 2012/2013 budget year, property tax revenue was 54% of the General Fund Revenue. Taxable values continued to decrease, with a drop of approximately 1% for the 2012 taxes, and a cumulative decrease since 2007/2008 of 19%. Loss of revenue over the past four years has been close to \$180,000 in the General Fund and an additional \$171,000 in the DDA Fund. Additionally, we have seen considerable loss in interest revenue, due both to the continued low interest rates and the interest lost due to lower tax revenue funds.

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

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

Cost reduction activities in the 2012/2013 budget year included the following:

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

Additional cost cutting measures that will be implemented and realized in 2013/2014. These include:

- Eliminate the two Department of Public Works foreman positions. Restructure the DPW positions and wage levels to provide for an overall reduction in DPW wage expense of approximately \$16,000 annually.
- Eliminate the police department 9-1-1 dispatching center due to the termination of Orion township's dispatching contract with the village and contract with another municipality for dispatching services, resulting in a potential net cost savings of approximately \$75,000 annually.
- Eliminate the part-time Planning and Zoning Coordinator position and contract with another municipality to provide planning and zoning administration services.

Talk of elimination of personal property tax continues at the State level. The effect of that could amount to about \$30,000 for the General Fund and close to that same amount in the DDA Fund.

## **Requests for Information**

This financial report is designed to provide a general overview of the Village of Lake Orion's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to 37 E. Flint Street, Lake Orion, Michigan 48362.



BASIC FINANCIAL STATEMENTS





**VILLAGE OF LAKE ORION**  
**Statement of Net Position**  
**June 30, 2013**

	<b>Primary Government</b>			<b>Component Unit - DDA</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 997,388	\$ 1,984,343	\$ 2,981,731	\$ 141,636
Receivables (net of allowance for uncollectibles)	203,778	336,818	540,596	1,993
Advance to Component Unit	-	960,000	960,000	-
Due from Other Governmental Units	27,495	-	27,495	-
Inventory	-	13,707	13,707	-
Prepaid Expenditures	27,882	-	27,882	4,073
Capital Assets (net of accumulated depreciation)	2,849,883	5,527,472	8,377,355	3,202,933
<b>Total Assets</b>	<b>4,106,426</b>	<b>8,822,340</b>	<b>12,928,766</b>	<b>3,350,635</b>
<b><u>LIABILITIES</u></b>				
Accounts Payable	56,165	223,027	279,192	7,555
Accrued Liabilities	32,083	-	32,083	-
Deferred Revenue	106,030	9,975	116,005	4,040
Liabilities payable from restricted assets	-	-	-	-
Noncurrent Liabilities:				
Other Post Employment Benefit Liability	446,228	-	446,228	-
Compensated Absences	245,115	7,770	252,885	-
Advance from Primary Government	-	-	-	960,000
Due within one year	30,526	8,662	39,188	-
Due in more than one year	76,536	397,411	473,947	-
<b>Total Liabilities</b>	<b>992,683</b>	<b>646,845</b>	<b>1,639,528</b>	<b>971,595</b>
<b><u>NET POSITION</u></b>				
Invested in Capital Assets, net of related debt	2,742,821	5,121,399	7,864,220	2,242,933
Restricted for:				
Police	134,759	-	134,759	-
Streets	206,486	-	206,486	-
Debt Service	1,072	-	1,072	-
Capital Projects	34,552	-	34,552	-
Perpetual Care	261,583	-	261,583	-
Unrestricted	(267,530)	3,054,096	2,786,566	136,107
<b>Total Net Position</b>	<b>\$ 3,113,743</b>	<b>\$ 8,175,495</b>	<b>\$ 11,289,238</b>	<b>\$ 2,379,040</b>

**VILLAGE OF LAKE ORION**  
**Statement of Activities**  
**For the Year Ended June 30, 2013**

<b><u>Functions/Programs</u></b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 583,925	\$ 168,879	\$ -	\$ -
Public Safety	824,797	190,502	352,637	-
Public Works	762,928	335,817	166,059	-
Community Development	43,461	8,385	-	3,300
Recreation and Cultural	29,290	10,554	-	-
Interest on Long-Term Debt	8,365	-	-	-
Total Governmental Activities	2,252,766	714,137	518,696	3,300
Business-type Activities:				
Water and Sewer	1,553,403	1,290,762	-	1,420
Total Primary Government	\$ 3,806,169	\$ 2,004,899	\$ 518,696	\$ 4,720
<b>Component Unit-DDA</b>	\$ 548,612	\$ 39,108	\$ 70,411	\$ 18,409

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

Change in Net Position  
Net Position - Beginning

Net Position - Ending

**Net (Expense) Revenue and Changes in Net Position**

Primary Government		Component	
Governmental Activities	Business-type Activities	Total	Unit - DDA
\$ (415,046)	\$ -	\$ (415,046)	\$ -
(281,658)	-	(281,658)	-
(261,052)	-	(261,052)	-
(31,776)	-	(31,776)	-
(18,736)	-	(18,736)	-
(8,365)	-	(8,365)	-
(1,016,633)	-	(1,016,633)	-
-	(261,221)	(261,221)	-
(1,016,633)	(261,221)	(1,277,854)	-
-	-	-	(420,684)
1,088,732	140,023	1,228,755	474,110
238,975	-	238,975	-
3,282	34,758	38,040	266
1,330,989	174,781	1,505,770	474,376
314,356	(86,440)	227,916	53,692
2,799,387	8,261,935	11,061,322	2,325,348
\$ 3,113,743	\$ 8,175,495	\$ 11,289,238	\$ 2,379,040

**VILLAGE OF LAKE ORION**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	<u>General</u>	<u>Police</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 389,349	\$ 131,749	\$ 476,290	\$ 997,388
Receivables (net of allowance for uncollectibles)	79,475	123,734	569	203,778
Due from State	-	-	27,495	27,495
Prepaid Expenditures	<u>21,193</u>	<u>6,689</u>	<u>-</u>	<u>27,882</u>
Total Assets	<u>\$ 490,017</u>	<u>\$ 262,172</u>	<u>\$ 504,354</u>	<u>\$ 1,256,543</u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities:				
Accounts Payable	\$ 44,023	\$ 11,481	\$ 661	\$ 56,165
Accrued and Other Liabilities	21,313	10,770	-	32,083
Deferred Revenue	<u>868</u>	<u>105,162</u>	<u>-</u>	<u>106,030</u>
Total Liabilities	<u>66,204</u>	<u>127,413</u>	<u>661</u>	<u>194,278</u>
Fund Balances:				
Nonspendable-Prepays	21,193	-	-	21,193
Restricted for:				
Police	-	134,759	-	134,759
Streets	-	-	206,486	206,486
Debt Service	-	-	1,072	1,072
Capital Projects	-	-	34,552	34,552
Perpetual Care	-	-	261,583	261,583
Assigned for Public Works	119,629	-	-	119,629
Unassigned	<u>282,991</u>	<u>-</u>	<u>-</u>	<u>282,991</u>
Total Fund Balance	<u>423,813</u>	<u>134,759</u>	<u>503,693</u>	<u>1,062,265</u>
Total Liabilities and Fund Balance	<u>\$ 490,017</u>	<u>\$ 262,172</u>	<u>\$ 504,354</u>	

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

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,849,883
Other Post Employment Benefit Liability	(446,228)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(352,177)</u>
Net Position of Governmental Activities	<u>\$ 3,113,743</u>

**VILLAGE OF LAKE ORION**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2013**

	<u>General</u>	<u>Police</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>				
Property Taxes	\$ 897,973	\$ -	\$ 190,759	\$ 1,088,732
Intergovernmental:				
Federal, State and Local	242,275	352,637	166,059	760,971
Charges for Services	351,077	91,800	-	442,877
Fines and Forfeitures	-	85,164	-	85,164
Interest	1,098	23	2,161	3,282
Other	160,533	13,538	12,025	186,096
Total Revenues	<u>1,652,956</u>	<u>543,162</u>	<u>371,004</u>	<u>2,567,122</u>
 <b><u>Expenditures</u></b>				
Current:				
General Government	484,793	-	-	484,793
Public Safety	-	760,364	-	760,364
Public Works	522,496	-	134,146	656,642
Community Development	43,461	-	-	43,461
Recreation and Cultural	21,948	-	-	21,948
Other Functions	58,458	-	-	58,458
Debt Service:				
Principal	-	17,611	210,000	227,611
Interest and Other Charges	-	-	8,365	8,365
Capital Outlay	-	49,673	7,743	57,416
Total Expenditures	<u>1,131,156</u>	<u>827,648</u>	<u>360,254</u>	<u>2,319,058</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>521,800</u>	<u>(284,486)</u>	<u>10,750</u>	<u>248,064</u>
 <b><u>Other Financing Sources (Uses)</u></b>				
Loan Proceeds	-	49,673	-	49,673
Transfers In	7,000	362,500	48,000	417,500
Transfers Out	<u>(372,500)</u>	<u>-</u>	<u>(45,000)</u>	<u>(417,500)</u>
Total Other Financing Sources (Uses)	<u>(365,500)</u>	<u>412,173</u>	<u>3,000</u>	<u>49,673</u>
Net Change in Fund Balance	156,300	127,687	13,750	297,737
Fund Balance - Beginning	<u>267,513</u>	<u>7,072</u>	<u>489,943</u>	<u>764,528</u>
Fund Balance - Ending	<u>\$ 423,813</u>	<u>\$ 134,759</u>	<u>\$ 503,693</u>	<u>\$ 1,062,265</u>

**VILLAGE OF LAKE ORION**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2013**

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

Net change in fund balance - total governmental funds	\$	297,737
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay		57,416
Non-departmental Capital Outlay		4,891
Depreciation Expense		(149,441)

Change in Other Post Employment Benefit Liability		(123,748)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal Repayments		227,611
Proceeds from Installment Loan		(49,673)
Decrease in Compensated Absences		<u>49,563</u>

Change in net position in governmental activities	\$	<u><u>314,356</u></u>
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**VILLAGE OF LAKE ORION**

**Balance Sheet**  
**Proprietary Fund**  
**June 30, 2013**

	<b><u>Enterprise Fund</u></b> <b><u>Water &amp; Sewer</u></b>
<b><u>ASSETS</u></b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,984,343
Accounts Receivable	336,818
Inventory	13,707
Total Current Assets	<u>2,334,868</u>
Advance to Component Unit	<u>960,000</u>
Property, Plant and Equipment	11,628,609
Less: Accumulated Depreciation	<u>(6,101,137)</u>
Net Property, Plant and Equipment	<u>5,527,472</u>
Total Assets	\$ <u><u>8,822,340</u></u>
<b><u>LIABILITIES AND EQUITY</u></b>	
Current Liabilities:	
Accounts Payable	\$ 223,027
Compensated Absences Payable	586
Deferred Revenue	9,975
General Obligation Bonds Payable	8,662
Total Current Liabilities	<u>242,250</u>
Long-Term Liabilities:	
Compensated Absences Payable	7,184
General Obligation Bonds Payable	<u>397,411</u>
Total Long-Term Liabilities	<u>404,595</u>
Total Liabilities	<u>646,845</u>
Equity:	
Invested in Capital Assets, Net of Related Debt	5,121,399
Unrestricted	<u>3,054,096</u>
Total Equity	<u>8,175,495</u>
Total Liabilities and Equity	\$ <u><u>8,822,340</u></u>

**VILLAGE OF LAKE ORION**  
**Statement of Revenues, Expenses and Changes in Fund Equity**  
**Proprietary Fund**  
**For the Year Ended June 30, 2013**

		<u>Enterprise Fund</u> <u>Water &amp; Sewer</u>
<b><u>Operating Revenues:</u></b>		
Charges for Services	\$	1,270,189
Penalty Charges		19,898
Miscellaneous		675
Total Operating Revenues		<u>1,290,762</u>
<b><u>Operating Expenses:</u></b>		
Salaries and Fringe Benefits		77,366
Water Purchases		437,430
Sewage Treatment		585,939
General and Administrative		94,039
Supplies		12,789
Contract Services		55,156
Equipment Repairs & Rentals		53,625
Depreciation and Amortization		226,110
Total Operating Expenses		<u>1,542,454</u>
Operating Income (Loss)		<u>(251,692)</u>
<b><u>Non-Operating Revenues (Expenses):</u></b>		
Property Taxes		140,023
Interest Earned		34,758
Interest Expense and Related Fees		(10,949)
Total Non-Operating Revenues (Expenses)		<u>163,832</u>
Income before Contributions and Transfers		(87,860)
Capital Contributions - Tap Fees		<u>1,420</u>
Net Income (Loss)		(86,440)
Fund Equity, Beginning		<u>8,261,935</u>
Fund Equity, Ending	\$	<u><u>8,175,495</u></u>



**VILLAGE OF LAKE ORION**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2013**

	<b>Enterprise Fund</b>
	<b>Water &amp; Sewer</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	
Receipts from customers and users	\$ 1,416,116
Payments to Suppliers	(1,207,777)
Payments to Employees	(82,868)
Net Cash Provided by Operating Activities	125,471
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING</u></b>	
<b><u>ACTIVITIES</u></b>	
Property Taxes Levied	140,023
<b><u>CASH FLOWS FROM CAPITAL AND RELATED</u></b>	
<b><u>FINANCING ACTIVITIES</u></b>	
Capital Contributions	1,420
Principal Paid on Capital Debt	(148,431)
Interest Paid on Capital Debt	(10,949)
Net Cash Provided (Used) by Capital and Related Financing Activities	(157,960)
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>	
Interest Earned	34,758
Net Cash Provided (Used) by Investing Activities	34,758
Net Increase (Decrease) in Cash and Cash Equivalents	142,292
Cash and Cash Equivalents, Beginning	1,842,051
Cash and Cash Equivalents, Ending	\$ 1,984,343
<b><u>Reconciliation of Operating Income to Net Cash</u></b>	
<b><u>Provided (Used) by Operating Activities:</u></b>	
Operating Income (Loss)	\$ (251,692)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization Expense	226,110
(Increase) Decrease in Receivables	2,519
(Increase) Decrease in Advance to Component Unit	120,000
Increase (Decrease) in Accounts Payable	32,463
Increase (Decrease) in Accrued Interest Payable	(1,262)
Increase (Decrease) in Compensated Absences Payable	(5,502)
Increase (Decrease) in Deferred Revenue	2,835
Net Cash Provided by Operating Activities	\$ 125,471

**VILLAGE OF LAKE ORION**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2013**

	<b><u>Employee Retirement Plan</u></b>	<b><u>Agency Fund</u></b>
<b><u>ASSETS</u></b>		
Cash and Cash Equivalents	\$ 100	\$ 88,199
Investments, at fair value:		
Mutual Funds	44,450	-
Total Assets	<u>44,550</u>	<u>88,199</u>
<b><u>LIABILITIES</u></b>		
Due to Other	<u>-</u>	<u>88,199</u>
<b><u>NET POSITION</u></b>		
Held in Trust for Retirement Benefits	<u>\$ 44,550</u>	<u>\$ -</u>

**VILLAGE OF LAKE ORION**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2013**

	<b><u>Employee Retirement Plan</u></b>
<b>Additions:</b>	
Contributions:	
Employer	\$ 10,000
Investment Earnings:	
Net increase(decrease) in fair value of investments	<u>3,771</u>
Total Additions	<u>13,771</u>
Change in Net Position	13,771
Net Position - Beginning of Year	<u>30,779</u>
Net Position - End of Year	<u>\$ 44,550</u>

VILLAGE OF LAKE ORION  
Notes to Financial Statements  
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Village of Lake Orion, Michigan, was incorporated in 1859. The Village operates under an elected Village Council, with a full-time Village Manager appointed by the Council to carry out the policies that it establishes. Services are provided to approximately 2,700 residents in the areas of police, refuse removal, parks and recreation, road construction, lighting, maintenance, and water and sewer.

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

*Discretely Presented Component Unit*

Downtown Development Authority

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

B. Government-Wide and Fund Financial Statements

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

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

VILLAGE OF LAKE ORION  
Notes to Financial Statements  
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Government-Wide and Fund Financial Statements – Continued

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

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

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

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

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

Governmental Funds

The Village reports the following major governmental funds:

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

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

VILLAGE OF LAKE ORION  
Notes to Financial Statements  
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

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

VILLAGE OF LAKE ORION  
Notes to Financial Statements  
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

*Estimates*

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

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

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

VILLAGE OF LAKE ORION  
Notes to Financial Statements  
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

2. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. All trade and property tax receivables are shown net of allowance for uncollectible accounts, which are recorded at \$-0- at June 30, 2013.

3. Inventory

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

4. Capital Assets

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

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

VILLAGE OF LAKE ORION  
Notes to Financial Statements  
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

5. 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.

6. Long-term Obligations

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

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



VILLAGE OF LAKE ORION  
Notes to Financial Statements  
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

7. Fund Equity

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

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

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

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

Assigned – Intent to spend resources on specific purposes expressed by the governing body.

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

VILLAGE OF LAKE ORION  
Notes to Financial Statements  
June 30, 2013

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

A. Budgetary Information – Continued

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

1. The Village Charter requires two regular council meetings per month. By the second meeting in April, a proposed operating budget must be submitted to the Village Council for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and means of financing them for the upcoming year.
2. A public hearing and adoption of the budget is required by the second meeting in May.
3. On or before June 15, the tax rate must be set and the budget is legally enacted through passage of a budget resolution (general appropriation act).
4. Formal budgetary integration is employed as a management control device for the General and Special Revenue Funds. Budgets for these funds are prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP). The General Fund and Special Revenue Fund budgets are adopted at the activity level.
5. Budget appropriations lapse at year end.
6. The Village Council may authorize supplemental appropriations (budget amendments) during the year. In 2013, several budget amendments were made and are reflected in the financial statements.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

None of the funds have a deficit fund balance as of June 30, 2013.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

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

	Final Budget	Actual	Excess Expenditures Over Appropriations
General Fund:			
Village Manager	\$ 86,090	\$88,140	\$ 2,050
Sanitation	155,000	156,053	1,053
Street Lighting	36,000	38,037	2,037
Planning & Zoning	39,590	43,461	3,871

VILLAGE OF LAKE ORION  
Notes to Financial Statements  
June 30, 2013

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

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

Custodial Credit Risk is the risk that in the event of a bank failure, the Village's deposits may not be recovered. Neither State law nor the Village's investment policy requires consideration of custodial credit risk. As of June 30, 2013, the Village's book balance of its deposits was \$3,069,555; the total book balance was \$3,070,030, due to \$475 in cash on hand. The bank balance was \$3,337,960 which was exposed to custodial credit risk, as follows:

	<u>Bank</u>
	<u>Balance</u>
Insured by F.D.I.C.	\$1,678,647
Uninsured and Uncollateralized	<u>1,659,313</u>
Total	<u>\$3,337,960</u>

A reconciliation of cash for the primary government follows:

Cash and Cash Equivalents per:	
Statement of Net Position	\$2,981,731
Statement of Fiduciary Net Position	<u>88,299</u>
Total	<u>\$3,070,030</u>

At June 30, 2013, the carrying amount and bank balances of the component units of the Village of Lake Orion are as follows:

	<u>Carrying</u>	<u>Bank</u>	<u>FDIC</u>
	<u>Amount</u>	<u>Balance</u>	<u>Insured</u>
Downtown Development Authority	<u>\$141,636</u>	<u>\$141,636</u>	<u>\$141,636</u>

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

VILLAGE OF LAKE ORION  
Notes to Financial Statements  
June 30, 2013

III. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

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

<u>Deposits and Investments</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Primary Government:		
Savings and Checking Accounts	\$ 1,741,573	Demand
Pooled Investments(Share price=\$1)	396,387	Demand
Certificates of Deposits- Less than one year	600,000	360 days
Certificates of Deposits- More than one year	<u>600,000</u>	657 days
	<u>\$ 3,337,960</u>	
Trust Funds:		
Mutual Funds – Bonds	\$15,740	N/A
Mutual Funds – Equity	<u>28,710</u>	N/A
	<u>\$ 44,450</u>	

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

VILLAGE OF LAKE ORION  
Notes to Financial Statements  
June 30, 2013

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

<u>Governmental Activities:</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Capital Assets, not depreciated:				
Land	\$ 498,484	\$ -	\$ -	\$ 498,484
Capital Assets, being depreciated:				
Land Improvements	405,875	-	-	405,875
Street and Road Improvements	2,371,147	-	-	2,371,147
Building and Improvements	897,891	-	-	897,891
Machinery and Equipment	447,958	1,963	(150)	449,771
Vehicles	519,916	60,344	(29,089)	551,171
	<u>4,642,787</u>	<u>62,307</u>	<u>(29,239)</u>	<u>4,675,855</u>
Less: Accumulated Depreciation:				
Land Improvements	(221,726)	(26,519)	-	(248,245)
Street and Road Improvements	(533,378)	(47,423)	-	(580,801)
Building and Improvements	(668,759)	(23,646)	-	(692,405)
Machinery and Equipment	(393,673)	(18,973)	150	(412,496)
Vehicles	(386,718)	(32,880)	29,089	(390,509)
	<u>(2,204,254)</u>	<u>(149,441)</u>	<u>29,239</u>	<u>(2,324,456)</u>
Governmental Activities				
Capital Assets, net	\$ <u>2,937,017</u>	\$ <u>(87,134)</u>	\$ <u>-</u>	\$ <u>2,849,883</u>

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

General Government	\$ 42,726
Public Safety	28,887
Public Works	70,486
Recreation and Cultural	7,342
	<u>\$ 149,441</u>

VILLAGE OF LAKE ORION  
Notes to Financial Statements  
June 30, 2013

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets – Continued

<u>Business-type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, being depreciated:				
Water and Sewer Mains	\$ 10,520,908	\$ -	\$ -	\$ 10,520,908
Equipment	206,988	-	-	206,988
Intangible Assets-Water Lines	900,713	-	-	900,713
	<u>11,628,609</u>	<u>-</u>	<u>-</u>	<u>11,628,609</u>
Less: Accumulated Depreciation:				
Water and Sewer Mains	(5,286,384)	(201,674)	-	(5,488,058)
Equipment	(183,321)	(1,918)	-	(185,239)
Intangible Assets-Water Lines	(405,322)	(22,518)	-	(427,840)
	<u>(5,875,027)</u>	<u>(226,110)</u>	<u>-</u>	<u>(6,101,137)</u>
Business-type Activities				
Capital Assets, net	<u>\$ 5,753,582</u>	<u>\$ (226,110)</u>	<u>\$ -</u>	<u>\$ 5,527,472</u>

<u>Component Unit-DDA:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, being depreciated:				
Land Improvements	\$ 566,803	\$ -	\$ -	\$ 566,803
Street and Road Improvements	3,047,010	-	-	3,047,010
Building and Improvements	499,000	-	-	499,000
Equipment	16,602	-	-	16,602
	<u>4,129,415</u>	<u>-</u>	<u>-</u>	<u>4,129,415</u>
Less: Accumulated Depreciation:				
Land Improvements	(423,018)	(20,169)	-	(443,187)
Street and Road Improvements	(340,290)	(48,279)	-	(388,569)
Building and Improvements	(68,613)	(12,475)	-	(81,088)
Equipment	(12,392)	(1,246)	-	(13,638)
	<u>(844,313)</u>	<u>(82,169)</u>	<u>-</u>	<u>(926,482)</u>
Component Unit				
Capital Assets, net	<u>\$ 3,285,102</u>	<u>\$ (82,169)</u>	<u>\$ -</u>	<u>\$ 3,202,933</u>

VILLAGE OF LAKE ORION  
Notes to Financial Statements  
June 30, 2013

III. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers

The composition of interfund transfers as of June 30, 2013, is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Police Fund	General Fund	\$ 362,500
Capital Improvement Fund	General Fund	10,000
General Fund	Cemetery Trust	7,000
Local Street Fund	Major Street Fund	25,000
North Shore Bridge Debt	Local Street Fund	13,000
		<u>\$ 417,500</u>

Transfers represent the following:

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

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

D. Long-Term Debt

The following is a summary of long-term debt transactions of the Village for the year ended June 30, 2013:

	<u>Balance July 1, 2012</u>	<u>Add: Additional Debt Incurred</u>	<u>Less: Retirements and Payments on Debt</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 200,000	\$ -	\$ 200,000	\$ -	\$ -
MTF Bonds	85,000	-	10,000	75,000	15,000
Installment Purchase	-	49,673	17,611	32,062	15,526
Compensated Absences	294,678	-	49,563	245,115	-
Total Governmental Activities	<u>579,678</u>	<u>49,673</u>	<u>277,174</u>	<u>352,177</u>	<u>30,526</u>
Business-type Activities:					
G.O. Refunding Bonds	140,000	-	140,000	-	-
County Interceptor Bonds	414,504	-	8,431	406,073	8,662
Compensated Absences	13,272	-	5,502	7,770	-
Total Business-type Activities	<u>567,776</u>	<u>-</u>	<u>153,933</u>	<u>413,843</u>	<u>8,662</u>
Total	<u>\$ 1,147,454</u>	<u>\$ 49,673</u>	<u>\$ 431,107</u>	<u>\$ 766,020</u>	<u>\$ 39,188</u>
Component Unit - DDA:					
Long Term Advance	<u>\$ 1,080,000</u>	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ 960,000</u>	<u>\$ -</u>

VILLAGE OF LAKE ORION  
Notes to Financial Statements  
June 30, 2013

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt – Continued

The following is a summary of general obligation debt outstanding (excluding compensated absences) of the Village as of June 30, 2013:

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Governmental Activities:				
MTF Bonds	1	5.00%	2017	\$ 75,000
Installment Purchase	1	6.50%	2014	32,062
				<u>\$ 107,062</u>
Business-type Activities:				
County Interceptor Bonds	3	2.50-5.90%	2034	<u>\$ 406,073</u>
Component Unit-DDA:				
Long Term Advance	1	2.00%	2020	<u>\$ 960,000</u>

In July 2010, the Oakland-Macomb Interceptor Drain Drainage Board assessed the Village of Lake Orion, along with other communities within the drainage district, for the maintenance and rehabilitation of the Oakland-Macomb Interceptor Drain, under the provisions of the Michigan Drain Code, Public Act 40 of 1956, Section 526. Bonds were issued in the amount of \$26,076,000, Series 2010A, maturing in 2031 with an interest rate of 2.50%, \$6,731,484.20, Series 2010B, maturing in 2030 with interest rates of 1.45-5.90%, and Series 2011, maturing in 2033 with an interest rate of 2.50%. The Village of Lake Orion's portion of .6612% of the total debt is \$423,966.

During fiscal year 2011, the Downtown Development Authority commenced construction on a Streetscape and Children's Park improvement projects. The Village has authorized an amount of up to \$1,200,000 be loaned to the DDA from the Water/Sewer Fund. The loan was made by transfers in incremental amounts as necessary for payment by the DDA of its financial obligations for the improvements. All loan amounts transferred will bear interest at the simple annual interest rate of two percent from the date of transfer until full repayment. Repayment will be made in 10 annual installments commencing October 1, 2011 through 2020.



VILLAGE OF LAKE ORION  
Notes to Financial Statements  
June 30, 2013

III. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt – Continued

The annual debt service requirements to maturity for general obligation debt outstanding as of June 30, 2013 are as follows:

<u>Year Ended</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 30,526	\$ 3,750	\$ 8,662	\$ 11,207
2015	31,536	3,000	17,011	10,890
2016	15,000	2,250	17,478	10,447
2017	15,000	1,500	17,946	9,986
2018	15,000	750	18,380	9,509
2019-2023	-	-	100,013	39,679
2024-2028	-	-	115,052	24,636
2029-2033	-	-	98,583	7,651
2034	-	-	12,948	162
	<u>\$ 107,062</u>	<u>\$ 11,250</u>	<u>\$ 406,073</u>	<u>\$ 124,167</u>

<u>Year Ended</u>	<u>Component Unit - DDA</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 120,000	\$ 19,200
2015	120,000	16,800
2016	120,000	14,400
2017	120,000	12,000
2018	120,000	9,600
2019-2021	360,000	14,400
	<u>\$ 960,000</u>	<u>\$ 86,400</u>

VILLAGE OF LAKE ORION  
Notes to Financial Statements  
June 30, 2013

III. DETAILED NOTES ON ALL FUNDS – Continued

E. Property Taxes

Property tax assessments are determined (Tax Day) as of each December 31. Taxes are levied on July 1 of the following year. These taxes are due on August 31 with the final collection date of February 28 before they are added to the county delinquent tax roll. The Village bills and collects its own property taxes which are accounted for in the General Fund, Downtown Development Authority Fund, 1998 G.O. Bond Debt Fund, and Water and Sewer Fund. Village property tax revenues are recognized in the current year as revenue in accordance with guidelines of the State of Michigan.

The Village is permitted by State law to levy taxes up to \$20 per \$1,000 of equalized valuation for general governmental services. The following is a summary of the tax rates levied on the 2012 tax roll:

<u>Purpose</u>	<u>Authorization</u>	<u>Authorized Rate</u>	<u>Per \$1,000 of State Equalized Value</u>		
			<u>Authorized Rate Post "Roll Back"</u>	<u>Rate Levied</u>	<u>Tax Margin</u>
Operating	State Law	20.00	12.0923	10.4800	1.6123
Debt	Voted	-	-	1.1463	-
Debt	Voted	-	-	1.8138	-

Under terms of an agreement with the Charter Township of Orion, the Township remits to the Village the equivalent of two mills (as rolled back by State law) of property taxes, which represents a special-voted tax levied on all Township residents (including Village residents) for police services. In accordance with the agreement, the Village will decrease its tax levy by an equal amount. The December 1, 2012 Township tax levy is paid by residents through February 2013. The Township remits its payment to the Village through June 2013, which will be used to replace the July 1, 2013 tax levy.

VILLAGE OF LAKE ORION  
Notes to Financial Statements  
June 30, 2013

IV. OTHER INFORMATION

A. Employee Retirement Systems and Plans

1. Municipal Employees Retirement System Defined Benefit Plan

a. Plan Description

The Village contributes to the Michigan Municipal Employees' Retirement System (MMERS), which is an agent multiple employer retirement system that covers substantially all full time employees of the Village. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by a certain percentage based on the benefit program in effect as of the date of termination of membership times the final average compensation (FAC). The most recent period for which actuarial data was available was for the actuarial valuation as of December 31, 2012.

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

b. Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Village's collective bargaining units and personnel policy. The Village is required to contribute at an actuarially determined rate; the current rate was a percentage of annual compensation at December 31, 2010. As of July 1, 2012, the Village closed all defined benefit groups to new members, so the Village now contributes a monthly flat rate for each group as follows:

General - Union	\$2,981 per month
General Non-Union	\$3,690
Police	\$1,909

VILLAGE OF LAKE ORION  
Notes to Financial Statements  
June 30, 2013

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

c. Annual Pension Cost

During the fiscal year ended June 30, 2013, the Village's contributions totaling \$102,960 along with \$22,840 of employee contributions were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2010. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information

Fiscal Year Ended <u>June 30,</u>	Valuation Date <u>Dec. 31</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2011	2008	\$ 67,977	100%	\$-0-
2012	2009	89,448	100%	-0-
2013	2010	102,960	100%	-0-

VILLAGE OF LAKE ORION  
Notes to Financial Statements  
June 30, 2013

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

2. Defined Contribution Pension Plan

Effective for all employees hired after November 1, 2008, the Village has established a defined contribution pension plan with the Michigan Municipal Employees' Retirement System (MERS). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The Village contributes 7% of the employees' gross earnings, and the employees are required to contribute 5%. Employer contributions become vested 25% at 3 years, 50% at 5 years, and 100% at 6 years of service. The Village's contribution for the current year was \$12,920.

As established by contract approved by the Village Council, the Village contributes to a deferred compensation plan administered by I.C.M.A. for the Village Manager. Voluntary contributions made by participants and employer contributions vest immediately as provided by the plan. The Village contributes an amount equal to 9% of the employee's gross earnings. During the current fiscal year the Village's contributions amounted to \$5,422.

3. Post Retirement Health Care Benefits

Plan Description – The Village provides health care benefits to eight retirees in accordance with their respective labor contracts. The Village includes these retirees and their dependents in its insured health care plan, with four having no contribution required by the participants and four that have 25% contribution requirements. Expenditures for post employment health care benefits are recognized as the insurance premiums become due. During the year, this amounted to \$88,683, net of participant contributions.

Funding Policy – The Village has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis).

Funding Progress – For the year ended June 30, 2013, the Village has estimated the cost of providing retiree healthcare benefits through an actuarial study that complies with the requirements of GASB 45. The study computes an annual required contribution that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

VILLAGE OF LAKE ORION  
Notes to Financial Statements  
June 30, 2013

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

3. Post Retirement Health Care Benefits – Continued

The computed contribution and actual funding are summarized as follows:

Annual Required Contribution (recommended)	\$ 213,101
Interest on the prior year's net OPEB obligation	9,330
Less adjustment to the annual required contribution	-
Annual OPEB Cost	222,431
Amounts Contributed:	
Payments of current premiums	(88,683)
Advance funding	(10,000)
Increase(Decrease) in net OPEB obligation	123,748
OPEB obligation - Beginning of Year	322,480
OPEB obligation - End of Year	\$ 446,228

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

Valuation as of June 30, 2012:

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

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage Contributed	Net OPEB Obligation
6/30/2011	7/1/2009	\$ 225,063	45%	\$ 221,680
6/30/2012	7/1/2009	\$ 222,431	55%	\$ 322,480
6/30/2013	6/30/2012	\$ 222,431	56%	\$ 446,228

VILLAGE OF LAKE ORION  
Notes to Financial Statements  
June 30, 2013

IV. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

3. Post Retirement Health Care Benefits – Continued

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

B. Risk Management

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

In the event that a single loss should exceed the amount of protection afforded by the pool loss reserve fund, reinsurance, or other insurance carried by the pools, or in the event that a series of losses should deplete or exhaust the loss reserve fund and reinsurance, the payment of valid losses shall be the obligation of the individual member or members of the respective pool against whom the claim was made.

No such event has occurred with the Village of Lake Orion and the pools to which it belongs in any of the past three fiscal years.

VILLAGE OF LAKE ORION  
Notes to Financial Statements  
June 30, 2013

IV. OTHER INFORMATION – Continued

C. Joint Venture

North Oakland Transportation Authority

The Authority provides transportation services for the following six entities, the Charter Township of Oxford, the Charter Township of Orion, the Township of Addison, the Village of Lake Orion, the Village of Leonard and the Village of Oxford. The Authority's board consists of nine members of which the Village of Lake Orion appoints one. The North Oakland Transportation Authority is not considered a part of the reporting entity of the Village of Lake Orion. Separate financial statements of the joint venture may be obtained at North Oakland Transportation Authority, 945 Glaspie St., P.O. Box 96, Oxford, Michigan 48371.

D. Subsequent Event

In July 2013, 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 \$65,140,000, Series 2013A, maturing in 2034 with an interest rate of 2.00%. The Village of Lake Orion's portion of .6612% of the total debt is \$452,251.

E. Upcoming Accounting Pronouncements

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



REQUIRED SUPPLEMENTARY INFORMATION



VILLAGE OF LAKE ORION  
Required Supplementary Information – (Unaudited)  
Defined Benefit Pension Plans – Trend Information  
For the Year Ended June 30, 2013

Required Supplementary Information for GASB 27

Schedule of Funding Progress

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

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2012 the latest actual valuation, follows:

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



**VILLAGE OF LAKE ORION**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues:</u></b>				
Property Taxes	\$ 856,000	\$ 846,397	\$ 858,054	\$ 11,657
Penalties and Interest	11,000	18,172	5,100	(13,072)
In Lieu of Taxes	36,000	34,819	34,819	-
Intergovernmental - Federal/CDBG	7,500	-	-	-
Intergovernmental - Federal/NSP	-	-	3,300	3,300
Intergovernmental - State	206,500	236,068	238,975	2,907
Charges for Services	326,200	330,840	351,077	20,237
Interest Earnings	400	870	1,098	228
Administration Fees	143,500	143,500	143,500	-
Other Revenues	13,300	20,276	17,033	(3,243)
Total Revenues	<u>1,600,400</u>	<u>1,630,942</u>	<u>1,652,956</u>	<u>22,014</u>
<b><u>Expenditures:</u></b>				
General Government:				
Village Council	4,038	4,528	3,997	531
Village Manager	96,748	86,090	88,140	(2,050)
Clerk	81,912	98,237	96,457	1,780
Treasurer	72,122	87,194	85,895	1,299
Municipal Building	191,337	190,668	173,464	17,204
Data Processing	5,525	6,450	4,480	1,970
Professional Services	44,435	32,480	32,360	120
	<u>496,117</u>	<u>505,647</u>	<u>484,793</u>	<u>20,854</u>
Public Works:				
Public Works	417,106	418,641	328,406	90,235
Sanitation	155,000	155,000	156,053	(1,053)
Street Lighting	30,488	36,000	38,037	(2,037)
	<u>602,594</u>	<u>609,641</u>	<u>522,496</u>	<u>87,145</u>
Health and Welfare:				
Community Development Block Grant	7,500	-	-	-
Community and Economic Development:				
Planning and Zoning	40,082	39,590	43,461	(3,871)
Recreation and Cultural:				
Parks and Recreation	26,026	26,026	21,948	4,078
Other Functions:				
Insurance	59,800	59,800	58,383	1,417
Community Promotion	-	75	75	-
	<u>59,800</u>	<u>59,875</u>	<u>58,458</u>	<u>1,417</u>
Total Expenditures	<u>1,232,119</u>	<u>1,240,779</u>	<u>1,131,156</u>	<u>109,623</u>
Excess of Revenues Over Expenditures	<u>368,281</u>	<u>390,163</u>	<u>521,800</u>	<u>131,637</u>
Other Financing Sources(Uses):				
Operating Transfers In	-	7,000	7,000	-
Operating Transfers Out	(445,000)	(445,000)	(372,500)	72,500
	<u>(445,000)</u>	<u>(438,000)</u>	<u>(365,500)</u>	<u>72,500</u>
Net Change in Fund Balance	(76,719)	(47,837)	156,300	204,137
Fund Balance - July 1	<u>267,513</u>	<u>267,513</u>	<u>267,513</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 190,794</u>	<u>\$ 219,676</u>	<u>\$ 423,813</u>	<u>\$ 204,137</u>



**VILLAGE OF LAKE ORION**  
**Police Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2013**

	<b><u>Budgeted Amounts</u></b>		<b><u>Actual</u></b>	<b><u>Variance with Final Budget</u></b>
	<b><u>Original</u></b>	<b><u>Final</u></b>		
<b><u>Revenues:</u></b>				
Intergovernmental-State	\$ 4,200	\$ 4,200	\$ 7,430	\$ 3,230
Intergovernmental-Local	262,300	262,300	345,207	82,907
Charges for Services	91,800	91,800	91,800	-
Fines and Forfeitures	53,000	53,000	85,164	32,164
Interest	-	-	23	23
Other	14,000	14,000	13,538	(462)
Total Revenues	<u>425,300</u>	<u>425,300</u>	<u>543,162</u>	<u>117,862</u>
<b><u>Expenditures:</u></b>				
Wages and Benefits	690,108	640,108	637,793	2,315
Other	119,400	119,400	122,571	(3,171)
Debt Service	19,000	19,000	17,611	1,389
Capital Outlay	47,000	50,000	49,673	327
Total Expenditures	<u>875,508</u>	<u>828,508</u>	<u>827,648</u>	<u>860</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(450,208)</u>	<u>(403,208)</u>	<u>(284,486)</u>	<u>118,722</u>
<b><u>Other Financing Sources:</u></b>				
Loan Proceeds	47,000	-	49,673	49,673
Transfers In	435,000	435,000	362,500	(72,500)
	<u>482,000</u>	<u>435,000</u>	<u>412,173</u>	<u>(22,827)</u>
Net Change in Fund Balance	31,792	31,792	127,687	95,895
Fund Balance, July 1	<u>7,072</u>	<u>7,072</u>	<u>7,072</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 38,864</u>	<u>\$ 38,864</u>	<u>\$ 134,759</u>	<u>\$ 95,895</u>





OTHER SUPPLEMENTARY INFORMATION

**VILLAGE OF LAKE ORION**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2013**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project Capital Improvement</u>	<u>Permanent Fund Cemetery</u>	<u>Total</u>
<b><u>ASSETS</u></b>					
Cash	\$ 179,577	\$ 1,072	\$ 34,627	\$ 261,014	\$ 476,290
Accounts Receivable	-	-	-	569	569
Due from State	<u>27,495</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,495</u>
Total Assets	<u>\$ 207,072</u>	<u>\$ 1,072</u>	<u>\$ 34,627</u>	<u>\$ 261,583</u>	<u>\$ 504,354</u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>					
Liabilities:					
Accounts Payable	\$ <u>586</u>	\$ <u>-</u>	\$ <u>75</u>	\$ <u>-</u>	\$ <u>661</u>
Fund Balance:					
Restricted for Streets	206,486	-	-	-	206,486
Restricted for Debt Service	-	1,072	-	-	1,072
Restricted for Capital Projects	-	-	34,552	-	34,552
Restricted for Perpetual Care	<u>-</u>	<u>-</u>	<u>-</u>	<u>261,583</u>	<u>261,583</u>
Total Fund Balance	<u>206,486</u>	<u>1,072</u>	<u>34,552</u>	<u>261,583</u>	<u>503,693</u>
Total Liabilities and Fund Balance	<u>\$ 207,072</u>	<u>\$ 1,072</u>	<u>\$ 34,627</u>	<u>\$ 261,583</u>	<u>\$ 504,354</u>

**VILLAGE OF LAKE ORION**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2013**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project Capital Improvement</u>	<u>Permanent Fund Cemetery</u>	<u>Total</u>
<b><u>Revenues:</u></b>					
Property Tax Revenue	\$ -	\$ 190,759	\$ -	\$ -	\$ 190,759
State-Shared Revenue	166,059	-	-	-	166,059
Interest Earned	450	26	91	1,594	2,161
Other Revenues	3,679	-	1,656	6,690	12,025
Total Revenues	<u>170,188</u>	<u>190,785</u>	<u>1,747</u>	<u>8,284</u>	<u>371,004</u>
<b><u>Expenditures:</u></b>					
Highways, Streets, Sidewalks and Other Maintenance	134,146	-	-	-	134,146
Debt Service:					
Principal	-	210,000	-	-	210,000
Interest and Other Charges	-	8,365	-	-	8,365
Capital Outlay	-	-	7,743	-	7,743
Total Expenditures	<u>134,146</u>	<u>218,365</u>	<u>7,743</u>	<u>-</u>	<u>360,254</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>36,042</u>	<u>(27,580)</u>	<u>(5,996)</u>	<u>8,284</u>	<u>10,750</u>
Other Financing Sources (Uses):					
Operating Transfers In	25,000	13,000	10,000	-	48,000
Operating Transfers Out	(38,000)	-	-	(7,000)	(45,000)
Total Other Financing Sources (Uses)	<u>(13,000)</u>	<u>13,000</u>	<u>10,000</u>	<u>(7,000)</u>	<u>3,000</u>
Change in Fund Balance	23,042	(14,580)	4,004	1,284	13,750
Fund Balance - July 1	<u>183,444</u>	<u>15,652</u>	<u>30,548</u>	<u>260,299</u>	<u>489,943</u>
Fund Balance - June 30	<u>\$ 206,486</u>	<u>\$ 1,072</u>	<u>\$ 34,552</u>	<u>\$ 261,583</u>	<u>\$ 503,693</u>

VILLAGE OF LAKE ORION  
Nonmajor Special Revenue Funds  
Combining Balance Sheet  
June 30, 2013

	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash	\$ 93,772	\$ 85,805	\$ 179,577
Due from State	<u>19,196</u>	<u>8,299</u>	<u>27,495</u>
Total Assets	<u>\$ 112,968</u>	<u>\$ 94,104</u>	<u>\$ 207,072</u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>			
Liabilities:			
Accounts Payable	\$ 586	\$ -	\$ 586
Fund Balance:			
Restricted for Streets	<u>112,382</u>	<u>94,104</u>	<u>206,486</u>
Total Liabilities and Fund Balance	<u>\$ 112,968</u>	<u>\$ 94,104</u>	<u>\$ 207,072</u>

**VILLAGE OF LAKE ORION**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2013**

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Total</u>
<b><u>Revenues:</u></b>			
State-Shared Revenue	\$ 115,935	\$ 50,124	\$ 166,059
Interest Earned	229	221	450
Other Revenues	-	3,679	3,679
Total Revenues	<u>116,164</u>	<u>54,024</u>	<u>170,188</u>
<b><u>Expenditures:</u></b>			
Highways, Streets, Sidewalks and Other Maintenance	<u>73,270</u>	<u>60,876</u>	<u>134,146</u>
Total Expenditures	<u>73,270</u>	<u>60,876</u>	<u>134,146</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>42,894</u>	<u>(6,852)</u>	<u>36,042</u>
Other Financing Sources (Uses):			
Operating Transfers In	-	25,000	25,000
Operating Transfers Out	<u>(25,000)</u>	<u>(13,000)</u>	<u>(38,000)</u>
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>12,000</u>	<u>(13,000)</u>
Change in Fund Balance	17,894	5,148	23,042
Fund Balance - July 1	<u>94,488</u>	<u>88,956</u>	<u>183,444</u>
Fund Balance - June 30	\$ <u><u>112,382</u></u>	\$ <u><u>94,104</u></u>	\$ <u><u>206,486</u></u>

**VILLAGE OF LAKE ORION**  
**Nonmajor Debt Service Funds**  
**Combining Balance Sheet**  
**June 30, 2013**

	<u>1998</u> <u>G.O. Bonds</u>	<u>North Shore</u> <u>Bridge</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ <u>539</u>	\$ <u>533</u>	\$ <u>1,072</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
Liabilities	\$ -	\$ -	\$ -
Fund Balance:			
Restricted for Debt Service	<u>539</u>	<u>533</u>	<u>1,072</u>
Total Liabilities and Fund Balance	\$ <u>539</u>	\$ <u>533</u>	\$ <u>1,072</u>

**VILLAGE OF LAKE ORION**  
**Nonmajor Debt Service Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**For the Year Ended June 30, 2013**

	<u>1998</u> <u>G.O. Bonds</u>	<u>North Shore</u> <u>Bridge</u>	<u>Total</u>
<b><u>Revenues:</u></b>			
Property Taxes	\$ 190,759	\$ -	\$ 190,759
Interest Income	<u>25</u>	<u>1</u>	<u>26</u>
Total Revenues	<u>190,784</u>	<u>1</u>	<u>190,785</u>
<b><u>Expenditures:</u></b>			
Principal	200,000	10,000	210,000
Interest and Other Charges	<u>5,000</u>	<u>3,365</u>	<u>8,365</u>
Total Expenditures	<u>205,000</u>	<u>13,365</u>	<u>218,365</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(14,216)</u>	<u>(13,364)</u>	<u>(27,580)</u>
<b><u>Other Financing Sources (Uses):</u></b>			
Operating Transfer In	<u>-</u>	<u>13,000</u>	<u>13,000</u>
Change in Fund Balance	(14,216)	(364)	(14,580)
Fund Balance - July 1	<u>14,755</u>	<u>897</u>	<u>15,652</u>
Fund Balance - June 30	\$ <u>539</u>	\$ <u>533</u>	\$ <u>1,072</u>

**VILLAGE OF LAKE ORION**  
**Combined Balance Sheet**  
**Component Unit - DDA**  
**June 30, 2013**

	<u>Downtown Development Authority</u>	<u>DDA Property Acquisition Fund</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash	\$ 128,063	\$ 13,573	\$ 141,636
Delinquent Taxes Receivable	1,993	-	1,993
Prepaid Expenditures	<u>4,073</u>	<u>-</u>	<u>4,073</u>
Total Assets	<u>\$ 134,129</u>	<u>\$ 13,573</u>	<u>\$ 147,702</u>

**Liabilities and Fund Balance**

Liabilities:

Accounts Payable	\$ 7,555	\$ -	\$ 7,555
Deferred Revenue	<u>4,040</u>	<u>-</u>	<u>4,040</u>
Total Liabilities	11,595	-	11,595
Fund Balance	<u>122,534</u>	<u>13,573</u>	<u>136,107</u>
Total Liabilities and Fund Balance	<u>\$ 134,129</u>	<u>\$ 13,573</u>	<u>\$ 147,702</u>

Reconciliation to Statement of Net Position (page 11):

Fund Balance at June 30, 2013	\$ 136,107
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,202,933
Long-term liabilities, including long term advance, are not due and payable in the current period and therefore are not reported in the funds.	<u>(960,000)</u>
Net Position of Governmental Activities-Component Unit	<u>\$ 2,379,040</u>

**VILLAGE OF LAKE ORION**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Component Unit - DDA**  
**June 30, 2013**

	<u>Downtown Development Authority</u>	<u>DDA Property Acquisition Fund</u>	<u>Total</u>
<b><u>Revenues</u></b>			
Property Taxes	\$ 474,110	\$ -	\$ 474,110
Intergovernmental:			
Federal, State and Local	88,820	-	88,820
Charges for Services	34,508	-	34,508
Interest	237	29	266
Other	4,600	-	4,600
Total Revenues	<u>602,275</u>	<u>29</u>	<u>602,304</u>
<b><u>Expenditures</u></b>			
Community Development	444,843	-	444,843
Debt Service:			
Principal	120,000	-	120,000
Interest and Other Charges	21,600	-	21,600
Capital Outlay	-	-	-
Total Expenditures	<u>586,443</u>	<u>-</u>	<u>586,443</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>15,832</u>	<u>29</u>	<u>15,861</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers In	-	5,000	5,000
Transfers Out	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>
Total Other Financing Sources (Uses)	<u>(5,000)</u>	<u>5,000</u>	<u>-</u>
Net Change in Fund Balance	10,832	5,029	15,861
Fund Balance - Beginning	<u>111,702</u>	<u>8,544</u>	<u>120,246</u>
Fund Balance - Ending	\$ <u><u>122,534</u></u>	\$ <u><u>13,573</u></u>	\$ <u><u>136,107</u></u>

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

Net Change in Fund Balance at June 30, 2013 \$ 15,861

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	-
Depreciation Expense	(82,169)

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	<u>120,000</u>
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Change in Net Position-Component Unit \$ 53,692



VILLAGE OF LAKE ORION  
Schedule of Indebtedness  
Governmental Funds  
June 30, 2013

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

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
6.50%	11/9/2013	\$ 15,526	\$ 2,085	\$ 17,611
6.50%	11/9/2014	16,536	1,075	17,611
		\$ <u>32,062</u>	\$ <u>3,160</u>	\$ <u>35,222</u>

2003 Michigan Transportation Fund Bonds  
Date of Issue: May 1, 2003  
Total Issue \$ 175,000  
Interest Due April 1 and October 1  
Due As Follows:

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
5.00%	10/01/13	\$ 15,000	\$ 3,750	\$ 18,750
5.00%	10/01/14	15,000	3,000	18,000
5.00%	10/01/15	15,000	2,250	17,250
5.00%	10/01/16	15,000	1,500	16,500
5.00%	10/01/17	15,000	750	15,750
		\$ <u>75,000</u>	\$ <u>11,250</u>	\$ <u>86,250</u>

**VILLAGE OF LAKE ORION**  
**Schedule of Indebtedness**  
**Proprietary Fund**  
**June 30, 2013**

**2010A Oakland-Macomb Interceptor Drain Bond**

**Date of Issue - January 22, 2010**

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

**Interest Due April 1 and October 1**

**Bonds Due as Follows:**

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
2.50%	04/01/2014	\$ 7,075	\$ 3,970	\$ 11,045
2.50%	04/01/2015	7,240	3,793	11,033
2.50%	04/01/2016	7,438	3,612	11,050
2.50%	04/01/2017	7,637	3,426	11,063
2.50%	04/01/2018	7,802	3,235	11,037
2.50%	04/01/2019	8,001	3,040	11,041
2.50%	04/01/2020	8,232	2,840	11,072
2.50%	04/01/2021	8,430	2,634	11,064
2.50%	04/01/2022	8,629	2,424	11,053
2.50%	04/01/2023	8,860	2,208	11,068
2.50%	04/01/2024	9,092	1,986	11,078
2.50%	04/01/2025	9,323	1,759	11,082
2.50%	04/01/2026	9,554	1,526	11,080
2.50%	04/01/2027	9,786	1,286	11,072
2.50%	04/01/2028	10,050	1,042	11,092
2.50%	04/01/2029	10,282	790	11,072
2.50%	04/01/2030	10,545	534	11,079
2.50%	04/01/2031	10,811	270	11,081
		\$ 158,787	\$ 40,375	\$ 199,162

**2010B Oakland-Macomb Interceptor Drain Bond**

**Date of Issue - January 22, 2010**

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

**Interest Due April 1 and October 1**

**Bonds Due as Follows:**

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
2.45%	04/01/2014	\$ 1,587	\$ 2,056	\$ 3,643
3.45%	04/01/2015	1,653	2,018	3,671
3.75%	04/01/2016	1,719	1,961	3,680
3.90%	04/01/2017	1,785	1,896	3,681
4.35%	04/01/2018	1,851	1,826	3,677
4.70%	04/01/2019	1,951	1,746	3,697
4.90%	04/01/2020	2,050	1,654	3,704
5.10%	04/01/2021	2,149	1,554	3,703
5.25%	04/01/2022	2,248	1,444	3,692
5.45%	04/01/2023	2,380	1,326	3,706
5.45%	04/01/2024	2,512	1,196	3,708
5.70%	04/01/2025	2,645	1,060	3,705
5.70%	04/01/2026	2,777	910	3,687
5.90%	04/01/2027	2,942	750	3,692
5.90%	04/01/2028	3,075	577	3,652
5.90%	04/01/2029	3,273	396	3,669
5.90%	04/01/2030	3,438	202	3,640
		\$ 40,035	\$ 22,572	\$ 62,607

VILLAGE OF LAKE ORION  
Schedule of Indebtedness  
Proprietary Fund  
June 30, 2013

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

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
2.50%	10/01/2013	\$ -	\$ 5,181	\$ 5,181
2.50%	10/01/2014	8,118	5,079	13,197
2.50%	10/01/2015	8,321	4,874	13,195
2.50%	10/01/2016	8,524	4,664	13,188
2.50%	10/01/2017	8,727	4,448	13,175
2.50%	10/01/2018	8,970	4,227	13,197
2.50%	10/01/2019	9,173	4,000	13,173
2.50%	10/01/2020	9,417	3,768	13,185
2.50%	10/01/2021	9,660	3,529	13,189
2.50%	10/01/2022	9,863	3,285	13,148
2.50%	10/01/2023	10,148	3,035	13,183
2.50%	10/01/2024	10,391	2,778	13,169
2.50%	10/01/2025	10,635	2,515	13,150
2.50%	10/01/2026	10,919	2,246	13,165
2.50%	10/01/2027	11,203	1,970	13,173
2.50%	10/01/2028	11,446	1,687	13,133
2.50%	10/01/2029	11,730	1,397	13,127
2.50%	10/01/2030	12,055	1,099	13,154
2.50%	10/01/2031	12,339	794	13,133
2.50%	10/01/2032	12,664	482	13,146
2.50%	10/01/2033	12,948	162	13,110
		\$ <u>207,251</u>	\$ <u>61,220</u>	\$ <u>268,471</u>

