

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

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2015**

VILLAGE OF LAKE ORION
For the Year Ended June 30, 2015
Table of Contents

INTRODUCTORY SECTION

Table of Contents

Page

FINANCIAL SECTION

Independent Auditor's Report.....	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12-13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	16
Balance Sheet – Proprietary Fund.....	17
Statement of Revenues, Expenses, and Changes In Net Position – Proprietary Fund	18
Statement of Cash Flows – Proprietary Fund.....	19
Statement of Fiduciary Net Position.....	20
Notes to Financial Statements	21-45

VILLAGE OF LAKE ORION
For the Year Ended June 30, 2015
Table of Contents

	<u>Page</u>
Required Supplementary Information:	
Schedule of Changes in the Net Pension Liability and Related Ratios	46
Schedule of Village Pension Contributions	47
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	48
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Public Works Fund	49
Statement of Revenues , Expenditures and Changes in Fund Balance – Budget and Actual – Police Fund.....	50
Other Supplementary Information:	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	51
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds.....	52
Nonmajor Special Revenue Funds – Combining Balance Sheet	53
Nonmajor Special Revenue Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balance	54
Combining Balance Sheet – Component Unit-DDA	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Component Unit-DDA.....	56
Schedule of Indebtedness – Governmental Funds	57
Schedule of Indebtedness – Proprietary Fund.....	58-60

FINANCIAL SECTION

PSLZ LLP

Certified Public Accountants

PLYMOUTH

1034 WEST ANN ARBOR TRAIL
P.O. BOX 5520
PLYMOUTH, MI 48170-1502
Telephone (734) 453-8770

Dennis M. Siegner, C.P.A., C.V.A.
David R. Williamson, C.P.A.
Jane F. Wang, C.P.A.
Rana M. Emmons, C.P.A.
Jennifer A. Galofaro, C.P.A., C.V.A.
Susan H. Bertram, C.P.A.

BLOOMFIELD HILLS

3707 WEST MAPLE ROAD
SUITE 101
BLOOMFIELD HILLS, MI 48301-3212
Telephone (248) 644-9125

Deborah M. Cox, C.P.A.
Robert J. Sheu, C.P.A.

Independent Auditor's Report

November 13, 2015

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Lake Orion, Michigan, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Lake Orion, Michigan, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Members of the Village Council
Village of Lake Orion, Michigan
November 13, 2015

Emphasis of Matter

As discussed in the footnotes to the basic financial statements, in fiscal year 2015, the Village adopted the new accounting guidance of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result of implementing this pronouncement, the Village's net pension liability has been recognized on the government-wide statements, and as discussed in the notes, the 2014 financial statements have been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

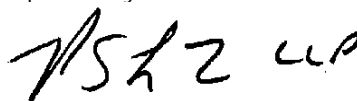
Other Information

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

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

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

Respectfully,



PSLZ LLP

Certified Public Accountants



21 East Church Street • Lake Orion, Michigan 48362
(248) 693-8391 • (248) 693-5874 fax • www.lakeorion.org

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, 2015. 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 \$10,012,667 (*net position*). Of this amount, \$1,136,547 (*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 \$124,968.
- At the close of the most recent fiscal year, the Village of Lake Orion's governmental funds reported combined ending fund balances of \$1,087,468. Approximately 49 percent of this total amount, \$536,105 is *available for spending* at the government's discretion (*unrestricted fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$368,562, or 17 percent of total general fund expenditures including operating transfers.
- The Village of Lake Orion's total debt increased by \$57,344 (5 percent) during the current fiscal year, due to the issuance of County bonds of \$119,016 less annual debt service payments made.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,012,667 at the close of the most recent fiscal year. Of the Village of Lake Orion's net position, 83 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 \$124,968 during the current fiscal year.

Village of Lake Orion's Net Position

	Governmental Activities		Business-type Activities		Total	
	Restated		2015	2014	2015	2014
	2015	2014				
Current and other assets	\$ 1,489,702	\$ 1,468,544	\$ 2,773,835	\$ 3,252,869	\$ 4,263,537	\$ 4,721,413
Capital Assets	3,520,304	2,714,187	5,808,856	5,937,810	9,329,160	8,651,997
Total Assets	5,010,006	4,182,731	8,582,691	9,190,679	13,592,697	13,373,410
Deferred Outflows	85,034	-	-	-	85,034	-
Long-term liabilities outstanding	2,174,141	1,976,965	957,485	855,480	3,131,626	2,832,445
Other liabilities	295,356	90,617	131,204	401,456	426,560	492,073
Total Liabilities	2,469,497	2,067,582	1,088,689	1,256,936	3,558,186	3,324,518
Deferred Inflows of Resources	106,878	104,685	-	-	106,878	104,685
Net Position:						
Net Investment in capital assets	3,475,304	2,637,651	4,857,189	5,088,148	8,332,493	7,725,799
Restricted	543,627	661,756	-	-	543,627	661,756
Unrestricted (Deficit)	(1,500,266)	(1,345,451)	2,636,813	2,845,595	1,136,547	1,500,144
Total Net Position	\$ 2,518,665	\$ 1,953,956	\$ 7,494,002	\$ 7,933,743	\$ 10,012,667	\$ 9,887,699

Village of Lake Orion - Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services	\$ 643,388	\$ 682,509	\$ 1,274,132	\$ 1,302,550	\$ 1,917,520	\$ 1,985,059
Operating Grants & Contributions	520,093	510,655	-	-	520,093	510,655
Capital Grants & Contributions	12,437	6,695	17,390	5,555	29,827	12,250
General Revenues:						
Property Taxes	926,498	906,219	-	-	926,498	906,219
State Shared Revenues	250,345	244,574	-	-	250,345	244,574
Unrestricted Investment Earnings	2,592	4,826	19,463	28,165	22,055	32,991
Gain(Loss) on Disposal of Assets	428,806	(5,414)	-	-	428,806	(5,414)
Transfers	111,333	-	(111,333)	-	-	-
Total Revenues	<u>2,895,492</u>	<u>2,350,064</u>	<u>1,199,652</u>	<u>1,336,270</u>	<u>4,095,144</u>	<u>3,686,334</u>
Expenses:						
General Government	650,618	584,362	-	-	650,618	584,362
Public Safety	734,601	766,054	-	-	734,601	766,054
Public Works	822,187	837,688	-	-	822,187	837,688
Community Development	71,408	64,095	-	-	71,408	64,095
Recreation and Cultural	48,486	30,527	-	-	48,486	30,527
Interest on Long-Term Debt	3,483	5,026	-	-	3,483	5,026
Water and Sewer	-	-	1,639,393	1,578,022	1,639,393	1,578,022
Total Expenses	<u>2,330,783</u>	<u>2,287,752</u>	<u>1,639,393</u>	<u>1,578,022</u>	<u>3,970,176</u>	<u>3,865,774</u>
Change in Net Position	<u>\$ 564,709</u>	<u>\$ 62,312</u>	<u>\$ (439,741)</u>	<u>\$ (241,752)</u>	<u>\$ 124,968</u>	<u>\$ (179,440)</u>

Note that 2014 has not been restated for GASB 68 implementation.

Governmental activities. Governmental activities increased net position by \$564,709. Key elements of the net position increase for Governmental activities include the sale of the former Village Hall building at 37 East Flint Street during fiscal year 2015. Proceeds from the sale of the building were \$522,648, resulting in a gain on sale of the building of \$428,806.

Business-type activities. Business-type activities decreased net position by \$439,741. This decrease is mostly due to an increase of approximately \$55,000 in sewage disposal costs through Oakland County during the year, and approximately \$248,000 of depreciation and amortization.

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 \$1,087,468, approximately 49 percent of this total amount (\$536,105) constitutes unrestricted *fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *nonspendable* (prepaid expenditures) or *restricted* to indicate that it is not available for new spending because it has already been committed 1) for police, streets, debt service, capital projects, or to generate income to pay for the perpetual care of the municipal cemetery.

Total governmental fund balances decreased \$185,774 for the 2014-2015 fiscal year as compared to an increase of \$210,977 in the 2013-2014 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 \$368,562, while total fund balance was \$393,629. Unassigned fund balance represents 17 percent of total general fund expenditures including operating transfers, while total fund balance represents 18 percent of that same amount. The fund balance of the Village of Lake Orion's General Fund decreased \$98,228 during the current fiscal year.

The Capital Improvement Fund had expenditures of \$1,045,368 during fiscal year 2015 which includes the renovation of the 21 East Church Street property for the Village Hall relocation.

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

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$2,636,813. The Water and Sewer Fund had an operating loss of \$351,010 at year end, and a total net loss of \$439,741, as compared to an operating loss of \$268,899 and total net loss of \$241,752 in the prior fiscal year. Sewer treatment costs invoiced from Oakland County increased approximately \$55,000 in fiscal year 2015 and \$43,000 in the prior year.

General Fund Budgetary Highlights

There was an \$80,788 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 (\$25,000) and property tax revenues (\$35,000). The total increase in budgeted operating transfers out was \$233,776 to reflect transfer of the proceeds from the sale of the former Village Hall building to the Capital Improvement Fund for the renovation of the current Village Hall building.

Capital Asset and Debt Administration

Capital assets. The Village of Lake Orion's investment in capital assets for its governmental and business type activities is \$9,329,160 (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 30 percent increase for governmental activities, and a 2 percent decrease in business-type activities. Governmental capital assets changes in fiscal year 2015 include the sale of the former Village Hall building and renovation of a Village owned property as the new Village Hall. Business-type activities include water and sewer fund additions of the Oakland-Macomb Interceptor (\$119,016).

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

Long-term debt.

At the end of the current fiscal year, the Village of Lake Orion had total bond debt outstanding of \$996,667. Of this amount, \$45,000 is governmental, and \$951,667 is business-type. The Village of Lake Orion's total bond debt increased by \$87,005 during the current fiscal year as a result of the County's issuance of the Oakland-Macomb Interceptor bonds Series 2014A and Series 2015, with the Village's portion totaling \$119,016 less annual debt payments made.

At the end of the current fiscal year, the Village of Lake Orion's Component Unit (DDA) had an advance to the Water & Sewer Fund outstanding of \$720,000 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 2015/2016 budget year, the Village anticipates a slight increase in property tax revenue as well as a slight increase in state shared revenue received from the State of Michigan. However, the Village has experienced significant decreases in property tax revenues and investment earnings over the last several years.

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

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

VILLAGE OF LAKE ORION
Statement of Net Position
June 30, 2015

	Primary Government			Component Unit - DDA
	Governmental Activities	Business-type Activities	Total	
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,209,167	\$ 1,717,755	\$ 2,926,922	\$ 139,713
Receivables (net of allowance for uncollectibles)	200,624	336,080	536,704	-
Due from Other Governmental Units	34,505	-	34,505	-
Prepaid Expenditures	45,406	-	45,406	1,138
Total Current Assets	<u>1,489,702</u>	<u>2,053,835</u>	<u>3,543,537</u>	<u>140,851</u>
Advance to Component Unit	-	720,000	720,000	-
Capital Assets, not being depreciated	498,484	-	498,484	-
Capital Assets, net of accumulated depreciation	3,021,820	5,808,856	8,830,676	3,180,856
Net Capital Assets	<u>3,520,304</u>	<u>5,808,856</u>	<u>9,329,160</u>	<u>3,180,856</u>
Total Assets	<u>5,010,006</u>	<u>8,582,691</u>	<u>13,592,697</u>	<u>3,321,707</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflows related to Pensions	<u>85,034</u>	-	<u>85,034</u>	-
<u>LIABILITIES</u>				
Accounts Payable	266,688	131,204	397,892	9,909
Accrued Liabilities	28,668	-	28,668	-
Noncurrent Liabilities:				
Other Post Employment Benefit Liability	695,403	-	695,403	-
Net Pension Liability	1,274,568	-	1,274,568	-
Compensated Absences	159,170	5,818	164,988	-
Due within one year	15,000	40,581	55,581	120,000
Due in more than one year	30,000	911,086	941,086	600,000
Total Liabilities	<u>2,469,497</u>	<u>1,088,689</u>	<u>3,558,186</u>	<u>729,909</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Taxes Levied for the following year	<u>106,878</u>	-	<u>106,878</u>	-
<u>NET POSITION</u>				
Net Investment in Capital Assets	3,475,304	4,857,189	8,332,493	2,460,856
Restricted for:				
Streets	286,277	-	286,277	-
Debt Service	1,935	-	1,935	-
Perpetual Care	255,415	-	255,415	-
Unrestricted (Deficit)	<u>(1,500,266)</u>	<u>2,636,813</u>	<u>1,136,547</u>	<u>130,942</u>
Total Net Position	<u>\$ 2,518,665</u>	<u>\$ 7,494,002</u>	<u>\$ 10,012,667</u>	<u>\$ 2,591,798</u>

VILLAGE OF LAKE ORION
Statement of Activities
For the Year Ended June 30, 2015

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs				
Primary Government:				
Governmental Activities:				
General Government	\$ 650,618	\$ 206,799	\$ 440	\$ -
Public Safety	734,601	73,077	333,318	-
Public Works	822,187	349,704	186,335	-
Community Development	71,408	7,429	-	12,437
Recreation and Cultural	48,486	6,379	-	-
Interest on Long-Term Debt	3,483	-	-	-
Total Governmental Activities	2,330,783	643,388	520,093	12,437
Business-type Activities:				
Water and Sewer	1,639,393	1,274,132	-	17,390
Total Primary Government	\$ 3,970,176	\$ 1,917,520	\$ 520,093	\$ 29,827
Component Unit-DDA	\$ 559,759	\$ 69,257	\$ 72,828	\$ -

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

Change in Net Position
Net Position - Beginning, as restated

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position

Primary Government		Component	
Governmental Activities	Business-type Activities	Total	Unit - DDA
\$ (443,379)	\$ -	\$ (443,379)	\$ -
(328,206)	-	(328,206)	-
(286,148)	-	(286,148)	-
(51,542)	-	(51,542)	-
(42,107)	-	(42,107)	-
(3,483)	-	(3,483)	-
(1,154,865)	-	(1,154,865)	-
-	(347,871)	(347,871)	-
(1,154,865)	(347,871)	(1,502,736)	-
-	-	-	(417,674)
926,498	-	926,498	501,517
250,345	-	250,345	-
2,592	19,463	22,055	149
428,806	-	428,806	-
111,333	(111,333)	-	-
1,719,574	(91,870)	1,627,704	501,666
564,709	(439,741)	124,968	83,992
1,953,956	7,933,743	9,887,699	2,507,806
\$ 2,518,665	\$ 7,494,002	\$ 10,012,667	\$ 2,591,798

VILLAGE OF LAKE ORION

Balance Sheet

Governmental Funds

June 30, 2015

	<u>General</u>	<u>Public Works</u>	<u>Police</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 347,769	\$ 145,345	\$ 14,474	\$ 701,579	\$ 1,209,167
Receivables (net of allowance for uncollectibles)	77,281	-	123,343	-	200,624
Due from State	6,806	-	-	27,699	34,505
Prepaid Expenditures	<u>7,736</u>	<u>20,384</u>	<u>17,286</u>	<u>-</u>	<u>45,406</u>
Total Assets	\$ <u>439,592</u>	\$ <u>165,729</u>	\$ <u>155,103</u>	\$ <u>729,278</u>	\$ <u>1,489,702</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 39,235	\$ 2,070	\$ 39,732	\$ 185,651	\$ 266,688
Accrued and Other Liabilities	<u>6,728</u>	<u>13,447</u>	<u>8,493</u>	<u>-</u>	<u>28,668</u>
Total Liabilities	<u>45,963</u>	<u>15,517</u>	<u>48,225</u>	<u>185,651</u>	<u>295,356</u>
Deferred Inflows of Resources:					
Taxes Levied for the following year	<u>-</u>	<u>-</u>	<u>106,878</u>	<u>-</u>	<u>106,878</u>
Fund Balances:					
Nonspendable-Prepays	7,736	-	-	-	7,736
Restricted for:					
Streets	-	-	-	286,277	286,277
Debt Service	-	-	-	1,935	1,935
Perpetual Care	-	-	-	255,415	255,415
Committed for Public Works	-	150,212	-	-	150,212
Assigned for Subsequent Year	17,331	-	-	-	17,331
Unassigned	<u>368,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>368,562</u>
Total Fund Balance	<u>393,629</u>	<u>150,212</u>	<u>-</u>	<u>543,627</u>	<u>1,087,468</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>439,592</u>	\$ <u>165,729</u>	\$ <u>155,103</u>	\$ <u>729,278</u>	

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

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,520,304
Net Other Post Employment Benefit Liability	(695,403)
Net Pension Liabilities are not reported in the funds	(1,274,568)
Deferred Outflows related to Pensions	85,034
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(204,170)</u>
Net Position of Governmental Activities	\$ <u>2,518,665</u>

VILLAGE OF LAKE ORION
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2015

	<u>General</u>	<u>Public Works</u>	<u>Police</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property Taxes	\$ 926,498	\$ -	\$ -	\$ -	\$ 926,498
Intergovernmental:					
Federal, State and Local	262,782	-	333,318	186,335	782,435
Charges for Services	171,850	150,556	14,767	15,920	353,093
Fines and Forfeitures	-	-	52,053	-	52,053
Interest	589	300	54	1,649	2,592
Other	707,887	19,111	6,257	28,075	761,330
Total Revenues	<u>2,069,606</u>	<u>169,967</u>	<u>406,449</u>	<u>231,979</u>	<u>2,878,001</u>
Expenditures					
Current:					
General Government	507,475	-	-	-	507,475
Public Safety	-	-	743,401	-	743,401
Public Works	193,125	368,384	-	120,944	682,453
Community Development	71,408	-	-	-	71,408
Recreation and Cultural	27,368	-	-	-	27,368
Other Functions	62,616	-	-	-	62,616
Debt Service:					
Principal	-	-	16,536	15,000	31,536
Interest and Other Charges	-	-	1,075	2,408	3,483
Capital Outlay	-	-	-	1,045,368	1,045,368
Total Expenditures	<u>861,992</u>	<u>368,384</u>	<u>761,012</u>	<u>1,183,720</u>	<u>3,175,108</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,207,614</u>	<u>(198,417)</u>	<u>(354,563)</u>	<u>(951,741)</u>	<u>(297,107)</u>
Other Financing Sources (Uses)					
Transfers In	-	259,000	322,000	1,040,371	1,621,371
Transfers Out	<u>(1,305,842)</u>	<u>(30,000)</u>	<u>(102,196)</u>	<u>(72,000)</u>	<u>(1,510,038)</u>
Total Other Financing Sources (Uses)	<u>(1,305,842)</u>	<u>229,000</u>	<u>219,804</u>	<u>968,371</u>	<u>111,333</u>
Net Change in Fund Balance	(98,228)	30,583	(134,759)	16,630	(185,774)
Fund Balance-Beginning, restated	<u>491,857</u>	<u>119,629</u>	<u>134,759</u>	<u>526,997</u>	<u>1,273,242</u>
Fund Balance-Ending	<u>\$ 393,629</u>	<u>\$ 150,212</u>	<u>\$ -</u>	<u>\$ 543,627</u>	<u>\$ 1,087,468</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, 2015

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

Net change in fund balance - total governmental funds	\$	(185,774)
---	----	-----------

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		1,045,368
Capital Outlay-departmental		42,616
Depreciation Expense		(188,025)
Proceeds from Sale of Assets		(522,648)
Gain on Disposal of Assets		428,806

Change in Other Post Employment Benefit Liability		(132,860)
---	--	-----------

Change in Net Pension Liability		32,565
---------------------------------	--	--------

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		31,536
Decrease in Compensated Absences		<u>13,125</u>

Change in net position in governmental activities	\$	<u><u>564,709</u></u>
---	----	-----------------------

VILLAGE OF LAKE ORION

Balance Sheet

Proprietary Fund

June 30, 2015

	<u>Enterprise Fund</u>
	<u>Water & Sewer</u>
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,717,755
Accounts Receivable	336,080
Total Current Assets	<u>2,053,835</u>
Advance to Component Unit	<u>720,000</u>
Property, Plant and Equipment	12,401,356
Less: Accumulated Depreciation	<u>(6,592,500)</u>
Net Property, Plant and Equipment	<u>5,808,856</u>
Total Assets	\$ <u><u>8,582,691</u></u>
<u>LIABILITIES AND NET POSITION</u>	
Current Liabilities:	
Accounts Payable	\$ 131,204
Compensated Absences Payable	586
County Bonds Payable	40,581
Total Current Liabilities	<u>172,371</u>
Long-Term Liabilities:	
Compensated Absences Payable	5,232
County Bonds Payable	911,086
Total Long-Term Liabilities	<u>916,318</u>
Total Liabilities	<u>1,088,689</u>
Net Position:	
Net Investment in Capital Assets	4,857,189
Unrestricted	<u>2,636,813</u>
Total Net Position	<u>7,494,002</u>
Total Liabilities and Net Position	\$ <u><u>8,582,691</u></u>

VILLAGE OF LAKE ORION
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2015

		Enterprise Fund
		Water & Sewer
<u>Operating Revenues:</u>		
Charges for Services	\$	1,251,731
Penalty Charges		16,131
Miscellaneous		6,270
Total Operating Revenues		1,274,132
<u>Operating Expenses:</u>		
Salaries and Fringe Benefits		80,362
Water Purchases		395,312
Sewage Treatment		684,016
General and Administrative		106,335
Supplies		11,569
Contract Services		23,997
Equipment Repairs & Rentals		75,581
Depreciation and Amortization		247,970
Total Operating Expenses		1,625,142
Operating Income (Loss)		(351,010)
<u>Non-Operating Revenues (Expenses):</u>		
Interest Earned		19,463
Interest Expense and Related Fees		(14,251)
Total Non-Operating Revenues (Expenses)		5,212
Income before Contributions and Transfers		(345,798)
Transfer Out to Other Funds		(111,333)
Capital Contributions - Tap Fees		17,390
Net Income (Loss)		(439,741)
Net Position, Beginning		7,933,743
Net Position, Ending	\$	7,494,002

VILLAGE OF LAKE ORION
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2015

	Enterprise Fund
	Water & Sewer
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from customers and users	\$ 1,379,505
Payments to Suppliers	(1,567,062)
Payments to Employees	(80,362)
Net Cash Provided by Operating Activities	(267,919)
<u>CASH FLOWS FROM NONCAPITAL FINANCING</u>	
<u>ACTIVITIES</u>	
Transfers Out to Other Funds	(111,333)
<u>CASH FLOWS FROM CAPITAL AND RELATED</u>	
<u>FINANCING ACTIVITIES</u>	
Capital Contributions	17,390
Construction of Capital Assets	(119,016)
Proceeds from County Bond Debt	119,016
Principal Paid on Capital Debt	(17,011)
Interest Paid on Capital Debt	(14,251)
Net Cash Provided (Used) by Capital and Related Financing Activities	(13,872)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Earned	19,463
Net Cash Provided (Used) by Investing Activities	19,463
Net Increase (Decrease) in Cash and Cash Equivalents	(373,661)
Cash and Cash Equivalents, Beginning	2,091,416
Cash and Cash Equivalents, Ending	\$ 1,717,755
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided (Used) by Operating Activities:</u>	
Operating Income (Loss)	\$ (351,010)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization Expense	247,970
(Increase) Decrease in Receivables	(14,627)
(Increase) Decrease in Advance to Component Unit	120,000
Increase (Decrease) in Accounts Payable	(270,252)
Increase (Decrease) in Compensated Absences Payable	-
Net Cash Provided by Operating Activities	\$ (267,919)

VILLAGE OF LAKE ORION
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	<u>Employee Retirement Plan</u>	<u>Agency Fund</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ -	\$ 97,161
Investments, at fair value:		
Mutual Funds	72,465	-
Total Assets	<u>72,465</u>	<u>97,161</u>
<u>LIABILITIES</u>		
Due to Other	<u>-</u>	<u>97,161</u>
<u>NET POSITION</u>		
Held in Trust for Retirement Benefits	<u>\$ 72,465</u>	<u>\$ -</u>

VILLAGE OF LAKE ORION
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	<u>Employee Retirement Plan</u>
Additions:	
Contributions:	
Employer	\$ 10,000
Investment Earnings:	
Net increase(decrease) in fair value of investments	<u>608</u>
Total Additions	<u>10,608</u>
Change in Net Position	10,608
Net Position - Beginning of Year	<u>61,857</u>
Net Position - End of Year	<u>\$ 72,465</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

Discretely Presented Component Unit

Downtown Development Authority

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

B. Government-Wide and Fund Financial Statements

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

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Government-Wide and Fund Financial Statements – Continued

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

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

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

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

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

Governmental Funds

The Village reports the following major governmental funds:

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

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

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

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

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2015

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, 2015

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, 2015.

3. Capital Assets

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

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

4. Compensated Absences

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

5. Long-term Obligations

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

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

6. Fund Equity

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

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

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

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

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

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2015

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

A. Budgetary Information – Continued

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

1. The Village Charter requires two regular council meetings per month. By the first meeting in April, a proposed operating budget must be submitted to the Village Council for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and means of financing them for the upcoming year.
2. A public hearing and adoption of the budget is required by the first meeting in May.
3. On or before June 15, the tax rate must be set and the budget is legally enacted through passage of a budget resolution (general appropriation act).
4. Formal budgetary integration is employed as a management control device for the General and Special Revenue Funds. Budgets for these funds are prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP). The General Fund and Special Revenue Fund budgets are adopted at the activity level.
5. Budget appropriations lapse at year end.
6. The Village Council may authorize supplemental appropriations (budget amendments) during the year. In 2015, 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, 2015.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The budgets for the General and Special Revenue Funds are adopted at the activity level. There were no expenditures in excess of budget appropriations as of June 30, 2015.

	Final Budget	Actual	Excess Over Appropriation
General Fund:			
Treasurer	\$ 73,131	\$ 74,079	\$ 948
Data Processing	25,227	25,555	328
Professional Services	39,410	39,621	211
Planning & Zoning	54,640	58,971	4,331
Parks & Recreation	25,290	27,368	2,078
Police Fund	725,225	761,012	35,787

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2015

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, 2015, the Village's book balance of its deposits was \$3,023,608; the total book balance was \$3,024,083, due to \$475 in cash on hand. The bank balance was \$3,084,620 which was exposed to custodial credit risk, as follows:

	<u>Bank</u>
	<u>Balance</u>
Insured by F.D.I.C.	\$1,522,410
Uninsured and Uncollateralized	<u>1,562,210</u>
Total	<u>\$3,084,620</u>

A reconciliation of cash for the primary government follows:

Cash and Cash Equivalents per:	
Statement of Net Position	\$2,926,922
Statement of Fiduciary Net Position	<u>97,161</u>
Total	<u>\$3,024,083</u>

At June 30, 2015, 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>\$ 139,713</u>	<u>\$ 139,713</u>	<u>\$ 139,713</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, 2015

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	\$ 1,675,496	Demand
Pooled Investments(Share price=\$1)	548,837	Demand
Certificates of Deposits- Less than one year	550,000	135 days
Certificates of Deposits- More than one year	<u>450,000</u>	455 days
	<u>\$ 3,224,333</u>	
Trust Funds:		
Mutual Funds – Bonds	\$21,790	N/A
Mutual Funds – Equity	<u>50,675</u>	N/A
	<u>\$ 72,465</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, 2015

III. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$ 498,484	\$ -	\$ -	\$ 498,484
Capital Assets, being depreciated:				
Land Improvements	406,875	-	-	406,875
Street and Road Improvements	2,371,147	-	-	2,371,147
Building and Improvements	902,557	1,046,556	(537,145)	1,411,968
Machinery and Equipment	444,357	41,428	(4,505)	481,280
Vehicles	556,272	-	-	556,272
	<u>4,681,208</u>	<u>1,087,984</u>	<u>(541,650)</u>	<u>5,227,542</u>
Less: Accumulated Depreciation:				
Land Improvements	(274,865)	(43,819)	-	(318,684)
Street and Road Improvements	(628,224)	(62,381)	-	(690,605)
Building and Improvements	(714,451)	(15,258)	443,303	(286,406)
Machinery and Equipment	(422,770)	(24,623)	4,505	(442,888)
Vehicles	(425,195)	(41,944)	-	(467,139)
	<u>(2,465,505)</u>	<u>(188,025)</u>	<u>447,808</u>	<u>(2,205,722)</u>
Governmental Activities Capital Assets, net	<u>\$ 2,714,187</u>	<u>\$ 899,959</u>	<u>\$ (93,842)</u>	<u>\$ 3,520,304</u>

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

General Government	\$ 72,392
Public Safety	22,772
Public Works	71,743
Recreation and Cultural	21,118
	<u>\$ 188,025</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2015

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	\$ 11,174,639	\$ 119,016	\$ -	\$ 11,293,655
Equipment	206,988	-	-	206,988
Intangible Assets-Water Lines	900,713	-	-	900,713
	<u>12,282,340</u>	<u>119,016</u>	<u>-</u>	<u>12,401,356</u>
Less: Accumulated Depreciation:				
Water and Sewer Mains	(5,706,403)	(222,375)	-	(5,928,778)
Equipment	(187,769)	(3,077)	-	(190,846)
Intangible Assets-Water Lines	(450,358)	(22,518)	-	(472,876)
	<u>(6,344,530)</u>	<u>(247,970)</u>	<u>-</u>	<u>(6,592,500)</u>
Business-type Activities				
Capital Assets, net	<u>\$ 5,937,810</u>	<u>\$ (128,954)</u>	<u>\$ -</u>	<u>\$ 5,808,856</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	\$ 753,422	\$ 19,146	\$ -	\$ 772,568
Street and Road Improvements	3,047,010	-	-	3,047,010
Building and Improvements	499,000	-	-	499,000
Equipment	11,272	2,181	(905)	12,548
	<u>4,310,704</u>	<u>21,327</u>	<u>(905)</u>	<u>4,331,126</u>
Less: Accumulated Depreciation:				
Land Improvements	(463,580)	(20,393)	-	(483,973)
Street and Road Improvements	(461,219)	(87,731)	-	(548,950)
Building and Improvements	(93,563)	(12,475)	-	(106,038)
Equipment	(10,808)	(1,406)	905	(11,309)
	<u>(1,029,170)</u>	<u>(122,005)</u>	<u>905</u>	<u>(1,150,270)</u>
Component Unit				
Capital Assets, net	<u>\$ 3,281,534</u>	<u>\$ (100,678)</u>	<u>\$ -</u>	<u>\$ 3,180,856</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2015

III. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers

The composition of interfund transfers as of June 30, 2015, is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Public Works Fund	General Fund	\$ 230,000
Police Fund	General Fund	322,000
Capital Improvement Fund	General Fund	753,842
Capital Improvement Fund	Public Works Fund	30,000
Capital Improvement Fund	Police Fund	102,196
Capital Improvement Fund	Water & Sewer Fund	111,333
Public Works Fund	Cemetery Trust	29,000
Local Street Fund	Major Street Fund	25,000
North Shore Bridge Debt	Local Street Fund	18,000
		<u>\$ 1,621,371</u>

Transfers represent the following:

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

Transfers to Capital Improvement Fund represent funding for renovation of Village hall building.

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, 2015:

	<u>Balance July 1, 2014</u>	<u>Add: Additional Debt Incurred</u>	<u>Less: Retirements and Payments on Debt</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Governmental Activities:					
MTF Bonds	\$ 60,000	\$ -	\$ 15,000	\$ 45,000	\$ 15,000
Installment Purchase	16,536	-	16,536	-	-
Compensated Absences	172,295	-	13,125	159,170	-
Total Governmental Activities	<u>248,831</u>	<u>-</u>	<u>44,661</u>	<u>204,170</u>	<u>15,000</u>
Business-type Activities:					
County Interceptor Bonds	849,662	119,016	17,011	951,667	40,581
Compensated Absences	5,818	-	-	5,818	-
Total Business-type Activities	<u>855,480</u>	<u>119,016</u>	<u>17,011</u>	<u>957,485</u>	<u>40,581</u>
Total	<u>\$ 1,104,311</u>	<u>\$ 119,016</u>	<u>\$ 61,672</u>	<u>\$ 1,161,655</u>	<u>\$ 55,581</u>
Component Unit - DDA:					
Long Term Advance	<u>\$ 840,000</u>	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ 720,000</u>	<u>\$ -</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2015

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, 2015:

	<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	<u>\$ 45,000</u>
Business-type Activities:				
County Interceptor Bonds	6	2.00-5.90%	2035	<u>\$ 951,667</u>
Component Unit-DDA:				
Long Term Advance	1	2.00%	2020	<u>\$ 720,000</u>

In July 2010, the Oakland-Macomb Interceptor Drain Drainage Board assessed the Village of Lake Orion, along with other communities within the drainage district, for the maintenance and rehabilitation of the Oakland-Macomb Interceptor Drain, under the provisions of the Michigan Drain Code, Public Act 40 of 1956, Section 526. Bonds were issued in the amount of \$26,076,000, Series 2010A, maturing in 2031 with an interest rate of 2.50%, \$6,731,484.20, Series 2010B, maturing in 2030 with interest rates of 1.45-5.90%, Series 2011, maturing in 2033 with an interest rate of 2.50%, \$65,140,000, Series 2013A, maturing in 2034 with an interest rate of 2.00%, Series 2014A maturing in 2034 with interest rates of 2.00-3.50%, and Series 2015 maturing in 2035 with interest rates of 2.00-3.50%. The Village of Lake Orion's portion of .6612% of the total debt is \$951,667.

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, 2015

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, 2015 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>
2016	\$ 15,000	\$ 2,250	\$ 40,581	\$ 22,773
2017	15,000	1,500	41,662	21,846
2018	15,000	750	42,577	20,891
2019	-	-	43,567	19,903
2020	-	-	44,614	18,871
2021-2025	-	-	239,810	77,597
2026-2030	-	-	270,957	45,994
2031-2035	-	-	227,899	13,072
	<u>\$ 45,000</u>	<u>\$ 4,500</u>	<u>\$ 951,667</u>	<u>\$ 240,947</u>

<u>Year Ended</u>	<u>Component Unit - DDA</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 120,000	\$ 14,400
2017	120,000	12,000
2018	120,000	9,600
2019	120,000	7,200
2020	120,000	4,800
2021	120,000	2,400
	<u>\$ 720,000</u>	<u>\$ 50,400</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2015

III. DETAILED NOTES ON ALL FUNDS – Continued

E. Property Taxes

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

The Village is permitted by State law to levy taxes up to \$20 per \$1,000 of equalized valuation for general governmental services. The following is a summary of the tax rates levied on the 2014 tax roll:

<u>Purpose</u>	<u>Authorization</u>	<u>Authorized</u>	<u>Per \$1,000 of State</u> <u>Equalized Value</u>	<u>Rate</u>	<u>Tax</u>
		<u>Rate</u>	<u>Authorized</u>	<u>Rate</u>	<u>Margin</u>
			<u>“Roll Back”</u>	<u>Levied</u>	
Operating	State Law	20.00	12.0923	10.0716	2.0207

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, 2014 Township tax levy is paid by residents through February 2015. The Township remits its payment to the Village through June 2015, which will be used to replace the July 1, 2015 tax levy.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2015

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan Description

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

Benefits Provided

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

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

Employees Covered by Benefit Terms

At the December 31, 2014 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	13
Inactive plan members entitled to but not yet receiving benefits	4
Active Plan Members	<u>6</u>
Total Employees covered by MERS	<u>23</u>

Contributions

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2015

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

For the year ended June 30, 2015, the average active employee contribution rate was 5 percent of gross wages for police union employees and 5 percent of gross wages for public works employees. The Village's contribution rate was a monthly flat rate of \$8,501.

Net Pension Liability

The net pension liability reported at June 30, 2015 was determined using a measure of the total pension liability and the plan net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

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

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2013	\$ 3,995,940	\$ 2,773,841	\$ 1,222,099
Service Cost	33,257	-	33,257
Interest	308,260	-	308,260
Contributions-Employer	-	107,334	(107,334)
Contributions-Employee	-	16,627	(16,627)
Net Investment Income	-	171,339	(171,339)
Benefit Payments, including refunds	(318,528)	(318,528)	-
Administrative Expenses	-	(6,252)	6,252
Net Changes	<u>22,989</u>	<u>(29,480)</u>	<u>52,469</u>
Balance at December 31, 2014	<u>\$ 4,018,929</u>	<u>\$ 2,744,361</u>	<u>\$ 1,274,568</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2015

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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

For the year ended June 30, 2015, the Village recognized pension expense of \$102,012. At June 30, 2015, the Village reported deferred outflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 34,028
Employer contributions to the plan subsequent to the measurement date	51,006
Total	\$ 85,034

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$51,006), which will impact the net pension liability in fiscal year 2016, rather than pension expense.

Years Ending June 30	Amount
2016	\$ 8,507
2017	8,507
2018	8,507
2019	8,507

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	4.50%
Investment rate of return	8.25%

Mortality rates were based on the 1994 Group Annuity Mortality Table of a 50 percent male and 50 percent female blend. For disabled retirees, the regular mortality table is used with a 10 year set forward in ages to reflect the higher expected mortality rates of disabled members.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2015

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study in 2008. The MERS retirement board is currently conducting an actuarial experience study covering the period from January 1, 2009 through December 31, 2013.

Discount Rate

The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

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

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

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2014, the measurement date, for each major asset class are summarized in the following table:

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2015

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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

The following presents the net pension liability of the Village, calculated using the discount rate of 8.25 percent, as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Net Pension Liability	\$ 1,634,861	\$ 1,274,568	\$ 960,449

Pension Plan Fiduciary Net Position

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

B. Defined Contribution Pension Plan

Effective for all employees hired after November 1, 2008, the Village has established a defined contribution pension plan with the Michigan Municipal Employees' Retirement System (MERS). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The Village contributes 7% of the employees' gross earnings, and the employees are required to contribute 5%. Employer contributions become vested 25% at 3 years, 50% at 5 years, and 100% at 6 years of service. The Village's contribution for the current year was \$24,080.

As established by contract approved by the Village Council, the Village contributes to a deferred compensation plan administered by I.C.M.A. for the Village Manager. Voluntary contributions made by participants and employer contributions vest immediately as provided by the plan. The Village contributes an amount equal to 9% of the employee's gross earnings. During the current fiscal year the Village's contributions amounted to \$6,412.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2015

IV. OTHER INFORMATION - Continued

C. Post Retirement Health Care Benefits

Plan Description – The Village provides health care benefits to eight retirees in accordance with their respective labor contracts. The Village includes these retirees and their dependents in its insured health care plan, with four having no contribution required by the participants and four that have 25% contribution requirements. Expenditures for post employment health care benefits are recognized as the insurance premiums become due. During the year, this amounted to \$86,786, net of participant contributions.

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

Funding Progress – For the year ended June 30, 2015, 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.

The computed contribution and actual funding are summarized as follows:

Annual Required Contribution (recommended)	\$ 213,101
Interest on the prior year's net OPEB obligation	19,689
Less adjustment to the annual required contribution	-
Annual OPEB Cost	<u>232,790</u>
Amounts Contributed:	
Payments of current premiums	(89,930)
Advance funding	(10,000)
Increase(Decrease) in net OPEB obligation	<u>132,860</u>
OPEB obligation - Beginning of Year	<u>562,543</u>
OPEB obligation - End of Year	<u><u>\$ 695,403</u></u>

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

Valuation as of June 30, 2012:	
Actuarial Value of Assets	\$ 139,944
Actuarial Accrued Liability (AAL)	2,916,357
Unfunded AAL (UAAL)	2,776,413
Funded Ratio	4.80%
Ratio of UAAL to covered payroll	Not available

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2015

IV. OTHER INFORMATION - Continued

C. Post Retirement Health Care Benefits - Continued

<u>Fiscal Year</u> <u>Ended</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Annual</u> <u>OPEB Costs</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2013	6/30/2012	\$ 222,431	56%	\$ 446,228
6/30/2014	6/30/2012	\$ 213,101	45%	\$ 562,543
6/30/2015	6/30/2012	\$ 232,790	57%	\$ 695,403

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.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2015

IV. OTHER INFORMATION - Continued

D. Risk Management

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

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

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

E. Joint Venture

North Oakland Transportation Authority

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2015

IV. OTHER INFORMATION - Continued

F. Restatements

During fiscal year 2015, the Village adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the government-wide statements now include a net pension liability, as detailed in the defined benefit pension footnote. The financial statements for the year ended June 30, 2015 have been restated to reflect the adoption of this pronouncement as follows:

<u>Source</u>	<u>Governmental Activities</u>
Net Position - June 30, 2014, as previously reported	\$ 3,176,055
Adjustment for Implementation of GASB Stmt No. 68	<u>(1,222,099)</u>
Net Position - June 30, 2014, as restated	<u>\$ 1,953,956</u>

In previous years, the Public Works Fund has been combined with the General Fund. It is being reclassified to be consistent with the Village's adopted budget.

	<u>General Fund</u>	<u>Public Works Fund</u>
Fund Balance - June 30, 2014, as previously reported	\$ 611,486	\$ -
Reclassifications	<u>(119,629)</u>	<u>119,629</u>
Fund Balance - June 30, 2014, as restated	<u>\$ 491,857</u>	<u>\$ 119,629</u>

G. Upcoming Accounting Pronouncements

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	2015
Total Pension Liability:	
Service Cost	\$ 33,257
Interest	308,260
Benefit payments, including refunds	<u>(318,528)</u>
Net Change in Total Pension Liability	22,989
Total Pension Liability, Beginning of year	<u>3,995,940</u>
Total Pension Liability, End of year	<u><u>\$ 4,018,929</u></u>
Plan Fiduciary Net Position:	
Contributions - Employer	\$ 107,334
Contributions - Employee	16,627
Net Investment Income	171,339
Administrative Expenses	(6,252)
Benefit payments, including refunds	<u>(318,528)</u>
Net Change in Plan Fiduciary Net Position	(29,480)
Plan Fiduciary Net Position, Beginning of year	<u>2,773,841</u>
Plan Fiduciary Net Position, End of year	<u><u>\$ 2,744,361</u></u>
Village's Net Pension Liability - Ending	<u><u>\$ 1,274,568</u></u>
Plan Fiduciary Net Position as a Percent of Total Pension Liability	68.3%
Covered Employee Payroll	\$ 324,635
Village's Net Pension Liability as a Percent of Covered Employee Payroll	392.6%

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 102,012	\$ 113,016	\$ 102,960	\$ 89,448	\$ 67,977	\$ 69,506	\$ 100,373	\$ 114,137	\$ 106,244	\$ 91,387
Contributions in relation to the actuarially determined contribution	102,012	113,016	102,960	89,448	67,977	69,506	100,373	114,137	106,244	91,387
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 324,635	\$ 378,751	\$ 489,211	\$ 666,239	\$ 667,434	\$ 659,155	\$ 834,509	\$ 905,082	\$ 826,567	\$ 797,523
Contributions as a Percentage of Covered Employee Payroll	31.4%	29.8%	21.0%	13.4%	10.2%	10.5%	12.0%	12.6%	12.9%	11.5%

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

Methods and assumptions used to determine contribution rates:
Actuarial Cost Method Entry-age normal
Amortization Method Level percentage of pay, closed
Remaining Amortization Period 24 years
Asset Valuation Method 10 year smoothed market
Inflation 3 - 4%
Salary Increases 4.5% including inflation
Investment Rate of Return 8%
Retirement Age Experience based tables of rates that are specific to the type of eligibility condition
Mortality 50% Male - 50% Female blend of the 1994 Group Annuity Mortality Table

VILLAGE OF LAKE ORION
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Property Taxes	\$ 861,535	\$ 896,404	\$ 896,404	\$ -
Penalties and Interest	5,000	2,883	2,883	-
In Lieu of Taxes	36,720	27,211	27,211	-
Intergovernmental - Federal/CDBG	7,500	12,437	12,437	-
Intergovernmental - State	247,500	292,500	250,345	(42,155)
Charges for Services	182,000	174,000	171,850	(2,150)
Interest Earnings	1,000	1,000	589	(411)
Administration Fees	155,000	155,000	155,000	-
Other Revenues	537,195	552,803	552,887	84
Total Revenues	<u>2,033,450</u>	<u>2,114,238</u>	<u>2,069,606</u>	<u>(44,632)</u>
<u>Expenditures:</u>				
General Government:				
Village Council	2,038	2,038	2,034	4
Village Manager	98,985	92,397	92,397	-
Clerk	72,836	73,459	72,893	566
Treasurer	68,248	73,131	74,079	(948)
Municipal Building	202,573	212,113	200,896	11,217
Data Processing	21,000	25,227	25,555	(328)
Professional Services	44,025	39,410	39,621	(211)
	<u>509,705</u>	<u>517,775</u>	<u>507,475</u>	<u>10,300</u>
Public Works:				
Sanitation	164,000	155,000	154,800	200
Street Lighting	40,000	40,000	38,325	1,675
	<u>204,000</u>	<u>195,000</u>	<u>193,125</u>	<u>1,875</u>
Community and Economic Development:				
Community Development Block Grant	7,500	12,437	12,437	-
Planning and Zoning	56,650	54,640	58,971	(4,331)
	<u>64,150</u>	<u>67,077</u>	<u>71,408</u>	<u>(4,331)</u>
Recreation and Cultural:				
Parks and Recreation	25,939	25,290	27,368	(2,078)
Other Functions:				
Insurance	61,000	62,616	62,616	-
Total Expenditures	<u>864,794</u>	<u>867,758</u>	<u>861,992</u>	<u>5,766</u>
Excess of Revenues Over Expenditures	<u>1,168,656</u>	<u>1,246,480</u>	<u>1,207,614</u>	<u>(38,866)</u>
Other Financing Sources(Uses):				
Operating Transfers Out	<u>(1,118,224)</u>	<u>(1,352,000)</u>	<u>(1,305,842)</u>	<u>46,158</u>
Net Change in Fund Balance	50,432	(105,520)	(98,228)	7,292
Fund Balance - July 1, restated	<u>491,857</u>	<u>491,857</u>	<u>491,857</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 542,289</u>	<u>\$ 386,337</u>	<u>\$ 393,629</u>	<u>\$ 7,292</u>

VILLAGE OF LAKE ORION
Public Works Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Charges for Services	\$ 31,200	\$ 28,600	\$ 31,200	\$ 2,600
Equipment Rental	85,000	92,500	94,834	2,334
Cemetery	28,000	24,600	24,522	(78)
Interest Income	-	286	300	14
Other	-	-	19,111	19,111
Total Revenues	<u>144,200</u>	<u>145,986</u>	<u>169,967</u>	<u>23,981</u>
<u>Expenditures:</u>				
Public Works:				
Wages and Benefits	301,903	241,774	245,464	(3,690)
Repairs and Maintenance	20,000	24,100	23,631	469
Other	36,508	35,200	31,234	3,966
Cemetery	61,990	53,589	53,871	(282)
Phase II Stormwater	16,160	16,160	14,184	1,976
Total Expenditures	<u>436,561</u>	<u>370,823</u>	<u>368,384</u>	<u>2,439</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(292,361)</u>	<u>(224,837)</u>	<u>(198,417)</u>	<u>26,420</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	294,000	259,000	259,000	-
Transfers Out	(30,000)	(30,000)	(30,000)	-
	<u>264,000</u>	<u>229,000</u>	<u>229,000</u>	<u>-</u>
Net Change in Fund Balance	(28,361)	4,163	30,583	26,420
Fund Balance, July 1, restated	<u>119,629</u>	<u>119,629</u>	<u>119,629</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 91,268</u>	<u>\$ 123,792</u>	<u>\$ 150,212</u>	<u>\$ 26,420</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Intergovernmental-State	\$ 5,700	\$ 5,700	\$ 5,302	\$ (398)
Intergovernmental-Local	330,697	324,659	328,016	3,357
Charges for Services	15,000	11,000	14,767	3,767
Fines and Forfeitures	76,000	56,000	52,053	(3,947)
Interest	-	51	54	3
Other	10,000	6,300	6,257	(43)
Total Revenues	<u>437,397</u>	<u>403,710</u>	<u>406,449</u>	<u>2,739</u>
<u>Expenditures:</u>				
Wages and Benefits	623,040	581,725	590,894	(9,169)
Other	114,066	143,500	152,507	(9,007)
Debt Service	-	-	17,611	(17,611)
Total Expenditures	<u>737,106</u>	<u>725,225</u>	<u>761,012</u>	<u>(35,787)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(299,709)</u>	<u>(321,515)</u>	<u>(354,563)</u>	<u>(33,048)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	320,530	322,000	322,000	-
Transfers Out	<u>(127,196)</u>	<u>(127,196)</u>	<u>(102,196)</u>	<u>25,000</u>
	<u>193,334</u>	<u>194,804</u>	<u>219,804</u>	<u>25,000</u>
Net Change in Fund Balance	(106,375)	(126,711)	(134,759)	(8,048)
Fund Balance, July 1	<u>134,759</u>	<u>134,759</u>	<u>134,759</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 28,384</u>	<u>\$ 8,048</u>	<u>\$ -</u>	<u>\$ (8,048)</u>

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF LAKE ORION
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	<u>Special Revenue</u>	<u>Debt Service North Shore Bridge</u>	<u>Capital Project Capital Improvement</u>	<u>Permanent Fund Cemetery</u>	<u>Total</u>
<u>ASSETS</u>					
Cash	\$ 258,865	\$ 1,935	\$ 185,364	\$ 255,415	\$ 701,579
Due from State	<u>27,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,699</u>
Total Assets	<u>\$ 286,564</u>	<u>\$ 1,935</u>	<u>\$ 185,364</u>	<u>\$ 255,415</u>	<u>\$ 729,278</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts Payable	\$ <u>287</u>	\$ <u>-</u>	\$ <u>185,364</u>	\$ <u>-</u>	\$ <u>185,651</u>
Fund Balance:					
Restricted for Streets	286,277	-	-	-	286,277
Restricted for Debt Service	-	1,935	-	-	1,935
Restricted for Capital Projects	-	-	-	-	-
Restricted for Perpetual Care	<u>-</u>	<u>-</u>	<u>-</u>	<u>255,415</u>	<u>255,415</u>
Total Fund Balance	<u>286,277</u>	<u>1,935</u>	<u>-</u>	<u>255,415</u>	<u>543,627</u>
Total Liabilities and Fund Balance	<u>\$ 286,564</u>	<u>\$ 1,935</u>	<u>\$ 185,364</u>	<u>\$ 255,415</u>	<u>\$ 729,278</u>

VILLAGE OF LAKE ORION
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	<u>Special Revenue</u>	<u>Debt Service North Shore Bridge</u>	<u>Capital Project Capital Improvement</u>	<u>Permanent Fund Cemetery</u>	<u>Total</u>
<u>Revenues:</u>					
State-Shared Revenue	\$ 186,335	\$ -	\$ -	\$ -	\$ 186,335
Charges for Services	-	-	-	15,920	15,920
Interest Earned	346	-	272	1,031	1,649
Other Revenues	6,075	-	22,000	-	28,075
Total Revenues	<u>192,756</u>	<u>-</u>	<u>22,272</u>	<u>16,951</u>	<u>231,979</u>
<u>Expenditures:</u>					
Highways, Streets, Sidewalks and Other Maintenance	120,944	-	-	-	120,944
Debt Service:					
Principal	-	15,000	-	-	15,000
Interest and Other Charges	-	2,408	-	-	2,408
Capital Outlay	-	-	1,045,368	-	1,045,368
Total Expenditures	<u>120,944</u>	<u>17,408</u>	<u>1,045,368</u>	<u>-</u>	<u>1,183,720</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>71,812</u>	<u>(17,408)</u>	<u>(1,023,096)</u>	<u>16,951</u>	<u>(951,741)</u>
Other Financing Sources (Uses):					
Operating Transfers In	25,000	18,000	997,371	-	1,040,371
Operating Transfers Out	(43,000)	-	-	(29,000)	(72,000)
Total Other Financing Sources (Uses)	<u>(18,000)</u>	<u>18,000</u>	<u>997,371</u>	<u>(29,000)</u>	<u>968,371</u>
Change in Fund Balance	53,812	592	(25,725)	(12,049)	16,630
Fund Balance - July 1	<u>232,465</u>	<u>1,343</u>	<u>25,725</u>	<u>267,464</u>	<u>526,997</u>
Fund Balance - June 30	<u>\$ 286,277</u>	<u>\$ 1,935</u>	<u>\$ -</u>	<u>\$ 255,415</u>	<u>\$ 543,627</u>

VILLAGE OF LAKE ORION
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2015

	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 137,100	\$ 121,765	\$ 258,865
Due from State	<u>19,136</u>	<u>8,563</u>	<u>27,699</u>
Total Assets	\$ <u><u>156,236</u></u>	\$ <u><u>130,328</u></u>	\$ <u><u>286,564</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts Payable	\$ 287	\$ -	\$ 287
Fund Balance:			
Restricted for Streets	<u>155,949</u>	<u>130,328</u>	<u>286,277</u>
Total Liabilities and Fund Balance	\$ <u><u>156,236</u></u>	\$ <u><u>130,328</u></u>	\$ <u><u>286,564</u></u>

VILLAGE OF LAKE ORION
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2015

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Total</u>
<u>Revenues:</u>			
State-Shared Revenue	\$ 129,702	\$ 56,633	\$ 186,335
Interest Earned	173	173	346
Other Revenues	1,660	4,415	6,075
Total Revenues	<u>131,535</u>	<u>61,221</u>	<u>192,756</u>
<u>Expenditures:</u>			
Highways, Streets, Sidewalks and Other Maintenance	<u>69,481</u>	<u>51,463</u>	<u>120,944</u>
Total Expenditures	<u>69,481</u>	<u>51,463</u>	<u>120,944</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>62,054</u>	<u>9,758</u>	<u>71,812</u>
Other Financing Sources (Uses):			
Operating Transfers In	-	25,000	25,000
Operating Transfers Out	<u>(25,000)</u>	<u>(18,000)</u>	<u>(43,000)</u>
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>7,000</u>	<u>(18,000)</u>
Change in Fund Balance	37,054	16,758	53,812
Fund Balance - July 1	<u>118,895</u>	<u>113,570</u>	<u>232,465</u>
Fund Balance - June 30	\$ <u><u>155,949</u></u>	\$ <u><u>130,328</u></u>	\$ <u><u>286,277</u></u>

VILLAGE OF LAKE ORION
Combined Balance Sheet
Component Unit - DDA
June 30, 2015

	Downtown Development Authority	DDA Property Acquisition Fund		Total
<u>Assets</u>				
Cash	\$ 139,118	\$ 595	\$	139,713
Prepaid Expenditures	1,138	-		1,138
Total Assets	\$ 140,256	\$ 595	\$	140,851

Liabilities and Fund Balance

Liabilities:				
Accounts Payable	\$ 9,909	\$ -	\$	9,909
Fund Balance	130,347	595		130,942
Total Liabilities and Fund Balance	\$ 140,256	\$ 595	\$	140,851

Reconciliation to Statement of Net Position (page 11):

Fund Balance at June 30, 2015	\$	130,942
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		3,180,856
Long-term liabilities, including long term advance, are not due and payable in the current period and therefore are not reported in the funds.		(720,000)
Net Position of Governmental Activities-Component Unit	\$	2,591,798

VILLAGE OF LAKE ORION
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
Component Unit - DDA
June 30, 2015

	Downtown Development Authority	DDA Property Acquisition Fund		Total
<u>Revenues</u>				
Property Taxes	\$ 501,517	\$ -	\$	501,517
Intergovernmental:				
Federal, State and Local	72,828	-		72,828
Charges for Services	69,257	-		69,257
Interest	149	-		149
Total Revenues	643,751	-		643,751
<u>Expenditures</u>				
Community Development	420,954	-		420,954
Debt Service:				
Principal	120,000	-		120,000
Interest and Other Charges	16,800	-		16,800
Capital Outlay	21,327	-		21,327
Total Expenditures	579,081	-		579,081
Excess (Deficiency) of Revenues Over Expenditures	64,670	-		64,670
Fund Balance - Beginning	65,677	595		66,272
Fund Balance - Ending	\$ 130,347	\$ 595	\$	130,942

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

Net Change in Fund Balance at June 30, 2015 \$ 64,670

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	21,327
Depreciation Expense	(122,005)

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

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

Change in Net Position-Component Unit \$ 83,992

VILLAGE OF LAKE ORION
Schedule of Indebtedness
Governmental Funds
June 30, 2015

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%	10/01/15	\$ 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>45,000</u>	\$ <u>4,500</u>	\$ <u>49,500</u>

VILLAGE OF LAKE ORION
Schedule of Indebtedness
Proprietary Fund
June 30, 2015

2010A Oakland-Macomb Interceptor Drain Bond

Date of Issue - January 22, 2010

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

Interest Due April 1 and October 1

Bonds Due as Follows:

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
2.50%	4/1/2016	\$ 7,438	\$ 3,612	\$ 11,050
2.50%	4/1/2017	7,637	3,426	11,063
2.50%	4/1/2018	7,802	3,235	11,037
2.50%	4/1/2019	8,001	3,040	11,041
2.50%	4/1/2020	8,232	2,840	11,072
2.50%	4/1/2021	8,430	2,634	11,064
2.50%	4/1/2022	8,629	2,424	11,053
2.50%	4/1/2023	8,860	2,208	11,068
2.50%	4/1/2024	9,092	1,986	11,078
2.50%	4/1/2025	9,323	1,759	11,082
2.50%	4/1/2026	9,554	1,526	11,080
2.50%	4/1/2027	9,786	1,286	11,072
2.50%	4/1/2028	10,050	1,042	11,092
2.50%	4/1/2029	10,282	790	11,072
2.50%	4/1/2030	10,545	534	11,079
2.50%	4/1/2031	10,811	270	11,081
		\$ <u>144,472</u>	\$ <u>32,612</u>	\$ <u>177,084</u>

2010B Oakland-Macomb Interceptor Drain Bond

Date of Issue - January 22, 2010

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

Interest Due April 1 and October 1

Bonds Due as Follows:

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
3.75%	4/1/2016	\$ 1,719	\$ 1,961	\$ 3,680
3.90%	4/1/2017	1,785	1,896	3,681
4.35%	4/1/2018	1,851	1,826	3,677
4.70%	4/1/2019	1,951	1,746	3,697
4.90%	4/1/2020	2,050	1,654	3,704
5.10%	4/1/2021	2,149	1,554	3,703
5.25%	4/1/2022	2,248	1,444	3,692
5.45%	4/1/2023	2,380	1,326	3,706
5.45%	4/1/2024	2,512	1,196	3,708
5.70%	4/1/2025	2,645	1,060	3,705
5.70%	4/1/2026	2,777	910	3,687
5.90%	4/1/2027	2,942	750	3,692
5.90%	4/1/2028	3,075	577	3,652
5.90%	4/1/2029	3,273	396	3,669
5.90%	4/1/2030	3,438	202	3,640
		\$ <u>36,795</u>	\$ <u>18,498</u>	\$ <u>55,293</u>

VILLAGE OF LAKE ORION
Schedule of Indebtedness
Proprietary Fund
June 30, 2015

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

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
2.50%	10/1/2015	\$ 8,321	\$ 4,874	\$ 13,195
2.50%	10/1/2016	8,524	4,664	13,188
2.50%	10/1/2017	8,727	4,448	13,175
2.50%	10/1/2018	8,970	4,227	13,197
2.50%	10/1/2019	9,173	4,000	13,173
2.50%	10/1/2020	9,417	3,768	13,185
2.50%	10/1/2021	9,660	3,529	13,189
2.50%	10/1/2022	9,863	3,285	13,148
2.50%	10/1/2023	10,148	3,035	13,183
2.50%	10/1/2024	10,391	2,778	13,169
2.50%	10/1/2025	10,635	2,515	13,150
2.50%	10/1/2026	10,919	2,246	13,165
2.50%	10/1/2027	11,203	1,970	13,173
2.50%	10/1/2028	11,446	1,687	13,133
2.50%	10/1/2029	11,730	1,397	13,127
2.50%	10/1/2030	12,055	1,099	13,154
2.50%	10/1/2031	12,339	794	13,133
2.50%	10/1/2032	12,664	482	13,146
2.50%	10/1/2033	12,948	162	13,110
		\$ <u>199,133</u>	\$ <u>50,960</u>	\$ <u>250,093</u>

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

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
2.00%	10/1/2015	\$ 18,607	\$ 8,859	\$ 27,466
2.00%	10/1/2016	18,988	8,483	27,471
2.00%	10/1/2017	19,370	8,100	27,470
2.00%	10/1/2018	19,752	7,708	27,460
2.00%	10/1/2019	20,134	7,309	27,443
2.00%	10/1/2020	20,551	6,902	27,453
2.00%	10/1/2021	20,967	6,487	27,454
2.00%	10/1/2022	21,384	6,064	27,448
2.00%	10/1/2023	21,800	5,632	27,432
2.00%	10/1/2024	22,252	5,191	27,443
2.00%	10/1/2025	22,668	4,742	27,410
2.00%	10/1/2026	23,154	4,284	27,438
2.00%	10/1/2027	23,605	3,816	27,421
2.00%	10/1/2028	24,091	3,339	27,430
2.00%	10/1/2029	24,543	2,853	27,396
2.00%	10/1/2030	25,063	2,357	27,420
2.00%	10/1/2031	25,549	1,851	27,400
2.00%	10/1/2032	26,070	1,335	27,405
2.00%	10/1/2033	26,591	808	27,399
2.00%	10/1/2034	27,112	271	27,383
		\$ <u>452,251</u>	\$ <u>96,391</u>	\$ <u>548,642</u>

VILLAGE OF LAKE ORION
Schedule of Indebtedness
Proprietary Fund
June 30, 2015

2014A Oakland-Macomb Interceptor Drain Bond

Date of Issue - September 2014

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

Interest Due April 1 and October 1

Bonds Due as Follows:

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
2.00%	10/1/2015	\$ 1,917	\$ 1,531	\$ 3,448
2.00%	10/1/2016	2,116	1,491	3,607
2.00%	10/1/2017	2,149	1,448	3,597
2.25%	10/1/2018	2,182	1,402	3,584
2.50%	10/1/2019	2,248	1,350	3,598
2.50%	10/1/2020	2,281	1,293	3,574
2.50%	10/1/2021	2,347	1,235	3,582
2.75%	10/1/2022	2,413	1,173	3,586
2.75%	10/1/2023	2,480	1,106	3,586
3.00%	10/1/2024	2,546	1,034	3,580
3.00%	10/1/2025	2,612	956	3,568
3.00%	10/1/2026	2,711	876	3,587
3.00%	10/1/2027	2,777	794	3,571
3.25%	10/1/2028	2,843	706	3,549
3.25%	10/1/2029	2,942	612	3,554
3.25%	10/1/2030	3,042	514	3,556
3.50%	10/1/2031	3,141	411	3,552
3.50%	10/1/2032	3,273	298	3,571
3.50%	10/1/2033	3,372	181	3,553
3.50%	10/1/2034	3,504	61	3,565
		\$ <u>52,896</u>	\$ <u>18,472</u>	\$ <u>71,368</u>

2015 Oakland-Macomb Interceptor Drain Bond

Date of Issue - April 2015

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

Interest Due April 1 and October 1

Bonds Due as Follows:

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
2.00%	4/1/2016	\$ 2,579	\$ 1,936	\$ 4,515
2.00%	4/1/2017	2,612	1,886	4,498
2.00%	4/1/2018	2,678	1,834	4,512
2.25%	4/1/2019	2,711	1,780	4,491
2.50%	4/1/2020	2,777	1,718	4,495
2.50%	4/1/2021	2,843	1,650	4,493
2.50%	4/1/2022	2,909	1,578	4,487
2.75%	4/1/2023	3,008	1,506	4,514
2.75%	4/1/2024	3,108	1,422	4,530
3.00%	4/1/2025	3,174	1,338	4,512
3.00%	4/1/2026	3,273	1,242	4,515
3.00%	4/1/2027	3,372	1,144	4,516
3.00%	4/1/2028	3,471	1,042	4,513
3.25%	4/1/2029	3,570	938	4,508
3.25%	4/1/2030	3,670	822	4,492
3.25%	4/1/2031	3,802	704	4,506
3.50%	4/1/2032	3,934	580	4,514
3.50%	4/1/2033	4,066	442	4,508
3.50%	4/1/2034	4,199	300	4,499
3.50%	4/1/2035	4,364	152	4,516
		\$ <u>66,120</u>	\$ <u>24,014</u>	\$ <u>90,134</u>

PSLZ LLP

Certified Public Accountants

PLYMOUTH

1034 WEST ANN ARBOR TRAIL
P.O. BOX 5520
PLYMOUTH, MI 48170-1502
Telephone (734) 453-8770

Dennis M. Siegner, C.P.A., C.V.A.
David R. Williamson, C.P.A.
Jane F. Wang, C.P.A.
Rana M. Emmons, C.P.A.
Jennifer A. Galofaro, C.P.A., C.V.A.
Susan H. Bertram, C.P.A.

BLOOMFIELD HILLS

3707 WEST MAPLE ROAD
SUITE 101
BLOOMFIELD HILLS, MI 48301-3212
Telephone (248) 644-9125

Deborah M. Cox, C.P.A.
Robert J. Sheu, C.P.A.

November 25, 2015

To the Village President and Council
Village of Lake Orion
Oakland County, Michigan

We have audited the financial statements of the Village of Lake Orion for the year ended June 30, 2015, and have issued our report thereon dated November 16, 2015. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 5, 2015, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Village of Lake Orion. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 21, 2015.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Lake Orion are described in Note I to the financial statements. During fiscal year 2015, the Village implemented GASB Statement No. 68, which recognizes a net pension liability on the government-wide statements. We noted no transactions entered into by the Village during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the estimated annual required contributions and the actuarial accrued liability related to the retiree healthcare funding, which the Village obtained using a third party actuarial valuation, and the estimates of the allowance for doubtful accounts for property tax collections, which are based on historical collection statistics.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements related to those estimates discussed in the section above.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. All misstatements were corrected by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 25, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the

Village President and Council
Village of Lake Orion
November 25, 2015
Page 3

relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Village President, Village Council, and management of the Village of Lake Orion and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "PSLZ LLP". The letters are stylized and cursive.

PSLZ LLP
Certified Public Accountants

PSLZ LLP

Certified Public Accountants

PLYMOUTH

1034 WEST ANN ARBOR TRAIL
P.O. BOX 5520
PLYMOUTH, MI 48170-1502
Telephone (734) 453-8770

Dennis M. Siegner, C.P.A., C.V.A.
David R. Williamson, C.P.A.
Jane F. Wang, C.P.A.
Rana M. Emmons, C.P.A.
Jennifer A. Galofaro, C.P.A., C.V.A.
Susan H. Bertram, C.P.A.

BLOOMFIELD HILLS

3707 WEST MAPLE ROAD
SUITE 101
BLOOMFIELD HILLS, MI 48301-3212
Telephone (248) 644-9125

Deborah M. Cox, C.P.A.
Robert J. Sheu, C.P.A.

November 25, 2015

To the Village President and Council
Village of Lake Orion
Oakland County, Michigan

In planning and performing our audit of the financial statements of the Village of Lake Orion as of and for the year ended June 30, 2015 in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Village's internal control to be a material weakness:

The Village relies on its auditors to prepare the annual financial statements. While this is common in smaller local units of government, we are required to communicate this to you as part of recently issued auditing standards. The Village's administrative officials did review the financial statements prior to their release.

Village President and Council
Village of Lake Orion
November 25, 2015
Page 2

This communication is intended solely for the information and use of management and the Village Council of the Village of Lake Orion and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "PSLZ LLP". The letters are stylized and cursive.

PSLZ LLP
Certified Public Accountants