

CITY OF ORCHARD LAKE VILLAGE

OAKLAND COUNTY, MICHIGAN

Report on Audit of Accounts

Year Ended June 30, 2018

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

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KENNETH E. ZINK
JOHN M. FOSTER
JOHN E. MIELKE, JR.

JANZ & KNIGHT, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
300 EAST LONG LAKE ROAD, SUITE 360
BLOOMFIELD HILLS, MICHIGAN 48304-2377

JOHN W. MACKEY
DAWN M. LENGERS
TROY R. FORMAN
JAMES P. LYNN
COLIN J. TAYLOR
JEREMY A. GORDON
DOUGLAS S. HASSE
SHELLY R. MORGENSTERN
ELIZABETH J. JANES

TELEPHONE (248) 646-9666
FACSIMILE (248) 646-3857

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YEARS

MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Members of the City Council
City of Orchard Lake Village
Oakland County, Michigan

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, each major fund, and the aggregate remaining fund information of the City of Orchard Lake Village, Michigan, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note S, during the year ended June 30, 2018, the City adopted the provisions of *Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

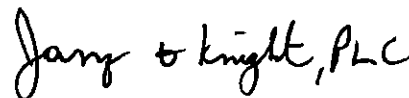
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-7 and 35-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial 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 City of Orchard Lake Village, Michigan's basic financial statements. The combining nonmajor fund financial statements 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Very truly yours,



Certified Public Accountants

Bloomfield Hills, Michigan
December 10, 2018

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

June 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Orchard Lake Village's (the City) management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify significant variances from the approved budget, and identify individual fund issues or concerns.

Using this Annual Report

The City's annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than government-wide financial statements.

Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Position and Statement of Activities. They are designed to be corporate-like in that all governmental and business-type funds are consolidated into columns which add to a total for the primary government. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are also taken into account regardless of timing of cash being paid or received.

The City as a Whole

Net Position - The City's combined net position was \$18,054,280 at the close of the year ended June 30, 2018. This represents a decrease of \$1,993,049 or a 9.9% decrease from a year ago. As we look at governmental activities separately from the business-type activities, we can see that the governmental activities net position decreased \$1,521,613. This decrease was primarily the result of the implementation of GASB 75 and the increased recognition of the OPEB liability. The business-type activity had a decrease of \$471,436 in net position. This decrease was primarily related to depreciation expense and tunnel construction. The current improvements are expensed, rather than capitalized, because the tunnel construction is not a City asset. The City will generate income for debt repayment over the term of the debt.

The following table reflects the condensed Statement of Net Position for the years ended June 30, 2018 and 2017:

Table 1
Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activity</u>		<u>Total</u>	
	<u>2018</u>	<u>2017 *</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017 *</u>
ASSETS						
Current and other assets	\$ 1,370,062	\$ 1,675,804	\$ 2,226,334	\$ 2,230,691	\$ 3,596,396	\$ 3,906,495
Capital assets, net	<u>7,786,990</u>	<u>7,500,006</u>	<u>11,694,319</u>	<u>12,120,860</u>	<u>19,481,309</u>	<u>19,620,866</u>
Total assets	\$ 9,157,052	\$ 9,175,810	\$13,920,653	\$14,351,551	\$23,077,705	\$23,527,361
DEFERRED OUTFLOWS OF RESOURCES		141,091				141,091
LIABILITIES						
Current and other liabilities	\$ 181,291	\$ 216,573	\$ 77,876	\$ 128,392	\$ 259,167	\$ 344,965
Long term debt outstanding	<u>3,616,882</u>	<u>2,308,316</u>	<u>1,058,896</u>	<u>967,842</u>	<u>4,675,778</u>	<u>3,276,158</u>
Total liabilities	\$ 3,798,173	\$ 2,524,889	\$ 1,136,772	\$ 1,096,234	\$ 4,934,945	\$ 3,621,123
DEFERRED INFLOWS OF RESOURCES	88,480				88,480	
NET POSITION						
Invested in capital assets, net of related debt	7,786,990	7,500,006	11,694,319	12,120,860	19,481,309	19,620,866
Restricted	539,724	330,629	839,687	833,240	1,379,411	1,163,869
Unrestricted	<u>(3,056,315)</u>	<u>(1,038,623)</u>	<u>249,875</u>	<u>301,217</u>	<u>(2,806,440)</u>	<u>(737,406)</u>
Total net position	<u>\$ 5,270,399</u>	<u>\$ 6,792,012</u>	<u>\$12,783,881</u>	<u>\$13,255,317</u>	<u>\$18,054,280</u>	<u>\$20,047,329</u>

*GASB Statement No. 75 was implemented by the City in fiscal year 2018. Fiscal year 2017 amounts shown have not been modified to reflect the retrospective application of the change.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

June 30, 2018

Unrestricted net position is net position that can be used to finance day to day operations. The restricted net position of the City totaled \$1,379,411. This net position may have limitations on its use that were imposed by restrictions such as enabling legislation, grant or bond covenants. The investment in capital assets represents the City's capital assets that provide services to citizens; accordingly, these assets are not available for future spending.

The following table shows the Changes in Net Position for the years ended June 30, 2018 and 2017:

Table 2
Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activity</u>		<u>Total</u>	
	<u>2018</u>	<u>2017 *</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017 *</u>
Program revenue:						
Charges for services	\$ 400,880	\$ 355,055	\$ 1,321,441	\$ 1,297,823	\$ 1,722,321	\$ 1,652,878
Operating grants and contributions	261,220	205,081	151,625	133,735	412,845	338,816
Capital grants and contributions	11,090				11,090	
General revenue:						
Property taxes	2,982,093	2,906,995			2,982,093	2,906,995
State shared revenues	200,443	196,290			200,443	196,290
Interest income	28,155	16,545	29,124	21,876	57,279	38,421
Franchise fees	65,014	65,059			65,014	65,059
Miscellaneous		640				640
Sale of fixed assets	20,515	2,351			20,515	2,351
Total revenue	\$ 3,969,410	\$ 3,748,016	\$ 1,502,190	\$ 1,453,434	\$ 5,471,600	\$ 5,201,450
Program expenses:						
General government	639,137	564,455			639,137	564,455
Public safety	1,981,728	1,717,790			1,981,728	1,717,790
Public works	865,149	805,249			865,149	805,249
Community and economic development	28,296	25,944			28,296	25,944
Culture and recreation	108,880	113,332			108,880	113,332
Sewer and water			1,973,626	2,397,362	1,973,626	2,397,362
Total program expenses	\$ 3,623,190	\$ 3,226,770	\$ 1,973,626	\$ 2,397,362	\$ 5,596,816	\$ 5,624,132
Increase (decrease) in net position	\$ 346,220	\$ 521,246	\$ (471,436)	\$ (943,928)	\$ (125,216)	\$ (422,682)
Net position - beginning of year	4,924,179	6,270,766	13,255,317	14,199,245	18,179,496	20,470,011
Net position - end of year	\$ 5,270,399	\$ 6,792,012	\$ 12,783,881	\$ 13,255,317	\$ 18,054,280	\$ 20,047,329

*GASB Statement No. 75 was implemented by the City in fiscal year 2018. Fiscal year 2017 amounts shown have not been modified to reflect the retrospective application of the change.

As shown in the above table total revenues were approximately \$5.5 million, of which 55% was obtained from property taxes, 31% for fees charged for services and 4% for state shared revenues. Total expenses were approximately \$5.6 million, of which 35% was for public safety, 15% for public works and 35% for sewer and water.

Business Type Activities

The City's business-type activities consists of the Sewer and Water Fund. The City provides sewer and water service to approximately 1,000 water units and approximately 1,100 sewer units.

The City Funds

The analysis of the City's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2018 include the General Fund, Major Road Fund, Local Road Fund and Library Fund.

The General Fund is the main operating fund of the City. Total revenues for the year were approximately \$3,365,000. Of this revenue, 86% was from property taxes, and 6% was from state sources. Total expenditures for the year were approximately \$3,456,000. Of these expenditures, 40% was for public safety, 11% was for public works, and 12% was for general government. At June 30, 2018 the unassigned fund balance of \$294,452 represented 8.5% of the total General Fund expenditures for the year.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

June 30, 2018

The City Funds (continued)

The Major Road Fund accounts for the repairs, maintenance and construction of all City major streets. The fund balance of this fund at June 30, 2018 was \$296,580.

The Local Road Fund accounts for repairs, maintenance and construction of all City local streets. The fund balance of this fund at June 30, 2018 was \$78,200.

The Library Fund accounts for the amounts paid to the West Bloomfield Public Library for Library Services. The fund balance of this fund at June 30, 2018 was \$2,794.

General Fund Budgetary Highlights

Over the course of the year, the City Council amended the budget to take into account events during the year. Reimbursements and refunds, fines, and contributions were amended to reflect less than anticipated revenues.

Clerk salaries, police salaries, Tri-Party Project, OPEB actuary, DPW salaries, retirement plan contributions, payroll taxes, and hospitalization insurance were amended to reflect higher than anticipated costs. Legal fees, assessing, sanctuary and general insurance were amended to reflect lower than anticipated costs.

Total revenues were approximately \$11,000 above budgeted amounts. Total expenditures were approximately \$33,600 below budgeted amounts.

Capital Asset and Debt Administration

At the end of June 30, 2018, the City had \$19,481,309 invested in a broad range of capital assets (net of accumulated depreciation), including buildings, equipment, roads, and sewer and water lines.

Major expenditures for capital assets during the year included the following:

1. Police car and equipment - \$52,200;
2. Voting equipment & computer equipment - \$15,130;
3. Storage Building - \$5,000;
4. Roads - \$206,425;
5. Plow truck and backhoe - \$260,861.

Long-Term Debt

The City's total indebtedness at June 30, 2018 was \$1,058,896 (net of compensated absences). Additional information on the City's long-term debt can be found in Note F.

Economic Factors and Next Year's Budgets and Rates

The City's 2019 budget was prepared using various economic factors as follows:

Revenues:

Property tax rates for 2019 are as follows:

	2018 Mills Levied	2017 Mills Levied
Operations:		
General operations	8.06	7.560
Library	0.2629	0.2670

Property tax revenues are expected to increase. There is an expected increase in taxable value within the City. The state shared revenue and refunds are expected to be higher than last year.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

June 30, 2018

Expenditures

Clerk and Director of City Services salaries are expected to increase in accordance with contract provisions. Salaries for full and part time police officers are also expected to increase. Fire protection is expected to increase consistent with the contracts in place. Employer's share of health insurance is also expected to increase. Employer's share of retirement costs will be less than last year; the City will not contribute more than actuarially required. Contributions to the motor pool fund are expected to decrease since asset acquisitions will be less. Additionally, assessing, legal, building and grounds maintenance and sanctuary expenditures are expected to increase.

The 2019 General Fund budget has a \$10,408 surplus. The projected General Fund fund balance at June 30, 2019 is approximately \$451,600 which represents approximately 12% of the General Fund expenditures for the year.

Request for Information

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions or concerns about this report or need additional information, contact the City Office, at the City of Orchard Lake Village, 3955 Orchard Lake Road, Orchard Lake, Michigan 48323.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities	Business-type Activity	Total
ASSETS			
Cash and cash equivalents	\$ 1,167,225	\$ 841,793	\$ 2,009,018
Receivables:			
Trade		250,051	250,051
Special assessments		8,601	8,601
Other	17,888		17,888
Prepaid expenses	150,334		150,334
Internal balances	114		114
Due from other governments	34,501	1,125,889	1,160,390
Capital assets, net:			
Depreciable	2,641,273	11,694,319	14,335,592
Non-depreciable	5,145,717		5,145,717
Total assets	\$ 9,157,052	\$ 13,920,653	\$ 23,077,705
LIABILITIES			
Liabilities:			
Accounts payable and other liabilities	\$ 67,351	\$ 71,276	\$ 138,627
Accrued interest		6,600	6,600
Due to other governments	19,244		19,244
Compensated absences	94,696		94,696
Noncurrent liabilities:			
Bonds payable		1,058,896	1,058,896
Net OPEB obligation	2,276,647		2,276,647
Net pension liability	1,340,235		1,340,235
Total liabilities	\$ 3,798,173	\$ 1,136,772	\$ 4,934,945
DEFERRED INFLOWS OF RESOURCES			
Deferred related to pension	88,480		88,480
NET POSITION			
Invested in capital assets, net of related debt	\$ 7,786,990	\$ 11,694,319	\$ 19,481,309
Restricted for:			
Major and local roads	374,780		374,780
Building Department	129,171		129,171
Capital projects		839,687	839,687
OSLA	34,633		34,633
Other	1,140		1,140
Unrestricted	(3,056,315)	249,875	(2,806,440)
Total net position	\$ 5,270,399	\$ 12,783,881	\$ 18,054,280

The attached notes are an integral part of the financial statements.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 639,137	\$ 32,192	\$	\$ 11,090
Public safety	1,981,728	313,320	1,612	
Community and economic development	28,296		8,000	
Public works	865,149	55,368	251,608	
Culture and recreation	108,880			
Total governmental activities	\$ 3,623,190	\$ 400,880	\$ 261,220	\$ 11,090
Business-type activity:				
Water and sewer fund	1,973,626	1,321,441	151,625	
Total primary government	\$ 5,596,816	\$ 1,722,321	\$ 412,845	\$ 11,090

General revenues:

Property taxes
State shared revenues
Interest income
Franchise fees
Sale of fixed assets

Total general revenues and special items

Changes in net position

Net position - July 1, 2017 (restated, Note S)

Net position - June 30, 2018

The attached notes are an integral part of the financial statements.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activity	Total
\$ (595,855)	\$	\$ (595,855)
(1,666,796)		(1,666,796)
(20,296)		(20,296)
(558,173)		(558,173)
(108,880)		(108,880)
\$ (2,950,000)	\$	\$ (2,950,000)
	(500,560)	(500,560)
\$ (2,950,000)	\$ (500,560)	\$ (3,450,560)
2,982,093		2,982,093
200,443		200,443
28,155	29,124	57,279
65,014		65,014
20,515		20,515
\$ 3,296,220	\$ 29,124	\$ 3,325,344
\$ 346,220	\$ (471,436)	\$ (125,216)
4,924,179	13,255,317	18,179,496
\$ 5,270,399	\$ 12,783,881	\$ 18,054,280

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2018

	General	Major Road Fund	Local Road Fund	Library Fund
ASSETS				
Cash and cash equivalents.	\$ 292,520	\$ 333,325	\$ 42,156	\$ 22,039
Receivables:				
Other.	17,888			
Prepaid expenses	145,594			
Due from other funds	14,024		40,485	
Due from other governments	30,302	4,199		
Total assets	<u>\$ 500,328</u>	<u>\$ 337,524</u>	<u>\$ 82,641</u>	<u>\$ 22,039</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other liabilities	\$ 59,142	\$ 40,944	\$ 4,441	\$
Due to other funds				19,245
Due to other governments				
Total liabilities.	\$ 59,142	\$ 40,944	\$ 4,441	\$ 19,245
Fund balances:				
Nonspendable - Prepaid Expenses.	145,594			
Restricted:				
Major & Local Roads.		296,580	78,200	
Library Service.				2,794
Building Department.				
OLSA				
Miscellaneous.	1,140			
Unassigned.	294,452			
Total fund balances.	<u>\$ 441,186</u>	<u>\$ 296,580</u>	<u>\$ 78,200</u>	<u>\$ 2,794</u>
Total liabilities and fund balances.	<u>\$ 500,328</u>	<u>\$ 337,524</u>	<u>\$ 82,641</u>	<u>\$ 22,039</u>

The attached notes are an integral part of the financial statements.

Non-Major Governmental Funds	Total Governmental Funds
\$ 169,046	\$ 859,086
4,740	17,888
	150,334
	54,509
	34,501
<u>\$ 173,786</u>	<u>\$ 1,116,318</u>

\$ 4,939	\$ 64,081
5,043	50,428
	19,245
<u>\$ 9,982</u>	<u>\$ 133,754</u>
4,740	150,334
	374,780
	2,794
129,171	129,171
29,893	29,893
	1,140
	294,452
<u>\$ 163,804</u>	<u>\$ 982,564</u>
<u>\$ 173,786</u>	<u>\$ 1,116,318</u>

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2018

Total governmental fund balances		\$ 982,564
Amounts reported for governmental activities in the statement of net position is different because:		
Capital assets used in government activities are not financial resources, and are not reported in the governmental funds:		
Governmental capital assets	\$ 9,105,411	
Less accumulated depreciation	<u>(1,650,033)</u>	7,455,378
Employee benefit fringe benefits are not payable in the current period and are not reported in the funds:		
Retiree healthcare		(2,276,647)
Pension		(1,340,235)
Compensated absences		(94,696)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in the statement of net position		
		632,515
Deferred inflows from the difference between projected and actual investment earnings of the pension plan		
		<u>(88,480)</u>
Net position of governmental activities		<u><u>\$ 5,270,399</u></u>

The attached notes are an integral part of the financial statements.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

	General	Major Road Fund	Local Road Fund	Library Fund
Revenues:				
Taxes	\$ 2,885,895	\$	\$	\$ 96,198
Licenses and permits	69,753			
Federal sources	8,000			
State sources	213,145	134,567	112,842	
Charges for services	84,030			
Fines and forfeitures	55,052			
Interest and rents	21,376	3,762	192	240
Other	27,903	4,199		
Total revenues	\$ 3,365,154	\$ 142,528	\$ 113,034	\$ 96,438
Expenditures:				
Current:				
General government	428,860			
Public safety	1,393,208			
Community and economic development	28,296			
Public works	376,658	82,366	312,581	
Culture and recreation	10,053			96,221
Other	1,187,622			
Capital outlay	31,685			
Total expenditures	\$ 3,456,382	\$ 82,366	\$ 312,581	\$ 96,221
Excess of revenues over (under) expenditures	\$ (91,228)	\$ 60,162	\$ (199,547)	\$ 217
Other financing sources (uses):				
Operating transfers in			270,000	
Operating transfers out	(270,000)			
Total other financing sources (uses)	\$ (270,000)	\$	\$ 270,000	\$
Excess of revenues and other sources over (under) expenditures and other uses	\$ (361,228)	\$ 60,162	\$ 70,453	\$ 217
Fund balance - July 1, 2017	802,414	236,418	7,747	2,577
Fund balance - June 30, 2018	\$ 441,186	\$ 296,580	\$ 78,200	\$ 2,794

The attached notes are an integral part of the financial statements.

Non-Major Governmental Funds	Total Governmental Funds
\$ 174,238	\$ 2,982,093
	243,991
	8,000
	460,554
	84,030
	55,052
901	26,471
53,018	85,120
\$ 228,157	\$ 3,945,311
	428,860
106,506	1,499,714
	28,296
40,520	812,125
	106,274
	1,187,622
	31,685
\$ 147,026	\$ 4,094,576
\$ 81,131	\$ (149,265)
	270,000
	(270,000)
\$	\$
\$ 81,131	\$ (149,265)
82,673	1,131,829
\$ 163,804	\$ 982,564

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

Net change in fund balances - total governmental fund. \$ (149,265)

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

Governmental funds report capital outlays as expenditures;
in the statement of activities, these costs are allocated
over their estimated useful lives as depreciation:

Expenditures for capital assets.	\$ 226,555	
Current year depreciation.	<u>(180,991)</u>	45,564

Employee benefit fringe benefits do not require the use of
current resources and are not reported in the funds:

Retiree healthcare	44,896
Pension.	284,798
Compensated absences	12,856

Internal service fund activity is not reported as part of
governmental funds; transactions with organizations outside
governmental funds are included in the statement of activities . . .

107,371

Change in net position of governmental activities. \$ 346,220

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2018

	Business-type Activity- Water and Sewer Fund	Governmental Activity- Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents.	\$ 841,793	\$ 308,139
Receivables:		
Trade.	250,051	
Special assessments.	8,601	
Due from other funds		1,327
Due from other governments	1,125,889	
Total current assets	\$ 2,226,334	\$ 309,466
Noncurrent assets:		
Capital assets, net.	11,694,319	331,613
Total noncurrent assets.	\$ 11,694,319	\$ 331,613
Total assets	\$ 13,920,653	\$ 641,079
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable and other liabilities	\$ 71,276	\$ 3,270
Due to other funds		5,294
Accrued interest	6,600	
Total current liabilities.	\$ 77,876	\$ 8,564
Noncurrent liabilities:		
Bonds payable	1,058,896	
Total liabilities.	\$ 1,136,772	\$ 8,564
Net position:		
Invested in capital assets, net of related debt.	11,694,319	331,613
Restricted for improvements.	839,687	
Unrestricted	249,875	300,902
Total net position	\$ 12,783,881	\$ 632,515
Total liabilities and net position	\$ 13,920,653	\$ 641,079

The attached notes are an integral part of the financial statements.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Year Ended June 30, 2018

	Business-type Activity- Water and Sewer Fund	Governmental Activity- Internal Service Fund
Operating revenue:		
Water and sewer sales.	\$ 1,199,694	\$
Water and sewer penalties.	28,937	
Permit fees - operating.	75,779	
Water meter maintenance - operating.	13,978	
Equipment rental		252,415
Miscellaneous income	3,053	
Total operating revenue.	\$ 1,321,441	\$ 252,415
Operating expenses:		
Salaries and benefits.		17,505
Payroll taxes.		1,339
Repairs and maintenance.		14,474
Utilities.		4,437
Gas and oil.		26,535
Tires.		1,622
Vehicle lease payments		8,262
Parts and supplies		16,530
Insurance.		6,800
Cost of water and sewer treatment.	838,376	
Water system engineering	6,167	
Sewer inspection costs	1,870	
Water maintenance.	102,474	
Sewer system maintenance and engineering	25,036	
Sewer pump station maintenance	146,567	
Sewer systems control unit	38,708	
General & administrative expenses.	87,895	
Depreciation and amortization.	426,540	71,639
Professional fees.	2,500	
Miscellaneous.	676	
Total operating expenses	\$ 1,676,809	\$ 169,143
Operating income (loss).	\$ (355,368)	\$ 83,272
Nonoperating revenues (expenses):		
Grant revenue.	67,448	
Sale of fixed assets		20,515
Capital charges.	10,500	
Interest income.	29,124	3,584
Debt service charge.	73,677	
Interest expense	(25,776)	
Sewer tunnel construction.	(137,294)	
Reserve for operations and major maintenance	(133,747)	
Total nonoperating revenues (expenses)	\$ (116,068)	\$ 24,099
Change in net position	\$ (471,436)	\$ 107,371
Net position - July 1, 2017.	13,255,317	525,144
Net position - June 30, 2018	\$ 12,783,881	\$ 632,515

The attached notes are an integral part of the financial statements.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2018

	Business-type Activity Water and Sewer Fund	Governmental Activity- Internal Service Fund
Cash flows from operating activities:		
Receipts from customers	\$ 1,375,513	\$ 275,148
Payments to employees		(17,505)
Payments to suppliers	(1,301,284)	(79,172)
Net cash provided (used) by operating activities	\$ 74,229	\$ 178,471
Cash flows from capital and related financing activities:		
Collection of customer capital charges	10,500	
Collection of special assessment charges	29,713	
Grant revenue received	67,448	
Purchase of fixed assets		(313,060)
Proceeds from sale of fixed assets		20,515
Collection of debt service charge	73,677	
Principal and interest paid on capital debt	(71,516)	
Reserve for operations	(133,747)	
Reimbursements and refunds		
Net cash provided (used) by capital and related financing activities	\$ (23,925)	\$ (292,545)
Cash flows from investing activities:		
Interest income	29,124	3,584
Net increase (decrease) in cash and cash equivalents	\$ 79,428	\$ (110,490)
Cash and cash equivalents - July 1, 2017	762,365	418,629
Cash and cash equivalents - June 30, 2018	\$ 841,793	\$ 308,139
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (355,368)	\$ 83,272
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	426,541	71,639
Changes in assets and liabilities:		
(Increase) decrease in receivables	78,749	
(Increase) decrease in due from/to other funds		22,733
(Increase) decrease in due from other governments	(24,677)	
Increase (decrease) in accounts payable and other liabilities	(51,016)	827
Net cash provided (used) by operating activities	\$ 74,229	\$ 178,471

Noncash capital and related financing activities - During the year ended June 30, 2018, Oakland County constructed approximately \$137,294 of sewer lines for the Evergreen-Farmington Tunnel Project, for which the City incurred long-term debt.

The attached notes are an integral part of the financial statements.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS

JUNE 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 169,112
Total assets	<u>\$ 169,112</u>
LIABILITIES	
Deposits payable and other liabilities	\$ 168,998
Due to other funds	<u>114</u>
Total liabilities	<u>\$ 169,112</u>

The attached notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A - Summary of Significant Accounting Policies

The accounting policies of the City of Orchard Lake Village (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Orchard Lake Village.

Reporting Entity

The City of Orchard Lake Village is governed by an elected seven-member Council. The accompanying financial statements present the City. There are no component units, entities for which the City is considered to be financially accountable.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally 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.

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 revenue.

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.

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. Revenue is 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 revenue 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the period. Property taxes, state-shared revenue, interest, reimbursement grants, and charges for services are considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE A - Summary of Significant Accounting Policies (continued)

Amounts reported as program revenue 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 revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Governmental Funds

The City reports the following major governmental funds:

General Fund

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.

Major Road Fund

The Major Road Fund accounts for the construction, maintenance, and repairs of all streets classified as "major roads" within the City. Financing is provided primarily by State-shared gas and weight taxes and local contributions. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

Local Road Fund

The Local Road Fund accounts for the construction, maintenance, and repairs of all streets classified as "local roads" within the City. Financing is provided primarily by State-shared gas and weight taxes and local contributions. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

Library Fund

The Library Fund accounts for the amounts paid to the West Bloomfield Public Library for Library Services. Financing is provided through a property tax millage.

Additionally, the City reports the following fund types:

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Fund

The City reports the following major proprietary fund:

Water and Sewer Fund

The Water and Sewer Fund accounts for the operation, maintenance and distribution of the water and sewage systems administered by Oakland County.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund relates to charges to customers for sales and services. The Water and Sewer Fund recognized the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as nonoperating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE A - Summary of Significant Accounting Policies (continued)

Additionally, the City reports the following fund types:

Internal Service Fund

The City's only internal service fund is the Motor Pool Fund. This fund accounts for the costs of maintaining automobiles and equipment used by various City departments. Costs are billed to the departments for labor and materials.

Fiduciary Funds

Agency Funds

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Property Taxes

The City is a Home Rule City with a fiscal year beginning July 1 and ending June 30. Summer property taxes are levied on July 1 and become a lien on that date. Summer property taxes are payable between July 1 and September 1, without penalty. Summer taxes paid between September 2 and February 28 are subject to a 4% penalty plus a 1% penalty for each month delinquent. Summer real property taxes delinquent after February 28 are purchased by Oakland County from the City. Winter property taxes are levied on December 1 and become a lien on that date. Winter property taxes are payable between December 1 and February 14 without penalty. Winter taxes paid between February 15 and February 28 are subject to a 4% penalty. Winter real property taxes delinquent after February 28 are purchased by Oakland County from the City.

The 2017 taxable valuation of the City of Orchard Lake Village totaled \$359,798,310, on which ad valorem taxes levied consisted of 7.56 mills for the City of Orchard Lake Village operation purposes, .2670 mills for library, raising \$2,720,075 for operating and \$96,066 for library. These amounts are recognized in the respective General and Library Fund financial statements as tax revenue.

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity

Cash and Investments

Deposits are carried at cost and consist of cash on hand, checking accounts, certificates of deposit, savings accounts, and investments in mutual funds, generally pooled investment funds.

For purposes of the Statement of Cash Flows, the City considered cash deposits and certificates of deposits with a maturity of three months or less when purchased to be cash equivalents.

Interfund Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Receivables

All trade and property tax receivables are considered fully collectible by the City. No provision has been made in the financial statements for noncollection.

Prepaid Items

Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Net Position

Restricted net position is assets that are subject to restrictions beyond the City's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE A - Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets, which include land, buildings, building improvements, vehicles, machinery, equipment and infrastructure are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500. 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.

Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets. The City has elected not to retroactively report infrastructure assets.

Capital assets that are being depreciated are reported net of accumulated depreciation in the statement of net position. Capital assets that are not being depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the assets.

Depreciation of all exhaustible fixed assets used by propriety fund types is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund type balance sheets. Depreciation has been provided over the estimated useful lives.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Water and Sewer System	50
Buildings and Improvements	10-50
Vehicles	3-10
Equipment (Police, Highway, Office)	3-25
Roads	20

Compensated Absences (Sick and Vacation Leave)

Sick and vacation pay earned are recognized in the governmental financial statements when they are paid. The long-term portion of compensated absences related to governmental funds is a liability recorded in the Statement of Net Position.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government-wide statements can report deferred outflows from the difference between projected and actual investment earnings of the pension plan as well as city contributions to the pension plan made after the December 31, 2017 measurement date. The difference in investment earnings will be amortized over a five-year period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category. The deferred inflow is related to the defined benefit pension plan. The deferred inflows of resources related to the defined benefit pension plan are reported in the government-wide financial statement and are related to the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. 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 fund operations are accounted for in those funds. For proprietary fund types, 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 and net of any deferred charges on bond refundings. Issuance costs are reported as deferred charges.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE A - Summary of Significant Accounting Policies (continued)

Defined Benefit Pension

The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs

The City offers retiree healthcare benefits to retirees. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City of Novi Retiree Health Care Plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (the government's highest level of decision-making authority). A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has delegated the authority to assign fund balance to the finance committee. Unassigned fund balance is the residual classification for the General Fund.

The City Council has adopted a minimum fund balance policy in which the total fund balance of the General Fund will be equal to at least 15 percent of the adopted General Fund budgeted expenditures. If the General Fund balance falls below the minimum range, the City will take action to preserve the minimum fund balance. At June 30, 2018, the City's fund balance is below the minimum adopted.

When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Rounding

For financial statement purposes, amounts are rounded to the nearest dollar. Combining non-rounded amounts may result in minor report differences.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE B - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at year end. The City's appropriation resolution is generally passed during the May preceding the fiscal year in which the planned expenditures relate. Subsequent amendments are made to avoid unfavorable variances from the original budget. Related resolutions are made to state the purpose and amount of the changes. The Director of City Services has the responsibility to enforce the budget. Unused appropriations do not carry forward to the next year.

The budget document presents information by fund, function, department and line items. The legal level (the level at which expenditures may not legally exceed appropriations) of budgetary control adopted by the board is at the department (activity) level.

The City Council must approve budget amendments at the activity level and supplemental appropriations, which affect total fund expenditures. The Director of City Services can transfer appropriations between line items within a department or activity without governing body approval.

Supplemental appropriations were necessary during the year, which increased total expenditures.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

P.A. 2 of 1968 as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in budget resolutions of the governing body.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City incurred expenditures in certain budgeted funds which were significantly in excess of the amounts appropriated, as follow:

<u>Fund</u>	<u>Activity</u>	<u>Amended Budget</u>	<u>Actual Expenditure</u>	<u>Budget Variance</u>
General Fund	Capital Outlay	\$ 20,600	\$ 31,685	\$ 11,085
Major Road	Purchased Services	8,000	48,745	40,745

NOTE C - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City has designated various banks for the deposit of City funds. The treasurer keeps a list of approved banks. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above, except repurchase agreements.

The City participates in a county investment pool. The pool is not subject to regulatory oversight, is not registered with the SEC and does not issue a separate report. The pool is managed as 2(a)7 fund with a net asset value maintained at \$1. Fair value of the position in the pool is the same as the value of the pool shares. The pool has not provided or obtained any legally binding guarantees during the period to support the value of the shares. Investments are valued monthly. The City has the ability to withdraw its investment at any time without penalty.

The City's deposits and investment policies are in accordance with statutory authority.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE C - Deposits and Investments (continued)

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy requires each financial institution to provide audited financial statements and acknowledge, in writing, receipt of the City's investment policy and agrees to comply with its terms. At year end, the City had \$416,133 of bank deposits (certificates of deposit, mutual funds, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy requires investments to be rated as investment grade at time of purchase by not less than one standard rating service and maturing within one year. At year end, the City had no investment securities that were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy restricts investment maturities as follows:

- 1) Commercial paper which can only be purchased with a 270-day maturity.
- 2) Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than two years from the date of purchase.
- 3) Reserve Funds may be invested in securities exceeding two but not more than five years if the maturity of such investments are made to coincide as nearly as practicable with expected use of the funds.
- 4) Investments maturities for operating funds shall coincide with projected cash flow needs, taking into account routine needs as well as considering anticipated revenue.

At year end, the average maturity of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Investment pool - Oakland County	\$1,628,787	377 days

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City's policy further limits its investments to only those that are rated in the highest classification established by not less than two standard rating services. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Investment pool	\$1,628,787	Not rated	N/A

Concentration of Credit Risk

The City requires that no more than 50% of the total investment portfolio, excluding U.S. Treasury securities and authorized investment pools, be invested with a single financial institution. The City also limits its investments to no more than 10% in any one issue.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE D - Capital Assets

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,145,717	\$ _____	\$ _____	\$ 5,145,717
Subtotal	\$ 5,145,717			\$ 5,145,717
Capital assets being depreciated:				
Buildings and improvements	1,009,825	5,000		1,014,825
Highway equipment	48,819	88,211	36,090	100,940
General equipment	107,257	15,130		122,387
Police equipment	188,554	25,269		213,823
Vehicles	322,018	199,580	26,794	494,804
Roads	2,616,057	206,425		2,822,482
Subtotal	\$ 4,292,530	\$ 539,615	\$ 62,884	\$ 4,769,261
Less accumulated depreciation for:				
Buildings and improvements	587,741	29,388		617,129
Highway equipment	45,131	10,224	36,090	19,265
General equipment	64,785	12,199		76,984
Police equipment	146,060	18,352		164,412
Vehicles	278,008	43,064	26,794	294,278
Roads	816,516	139,404		955,920
Subtotal	\$ 1,938,241	\$ 252,631	\$ 62,884	\$ 2,127,988
Net capital assets being depreciated	\$ 2,354,289	\$ 286,984	\$ _____	\$ 2,641,273
Net capital assets	\$ 7,500,006	\$ 286,984	\$ _____	\$ 7,786,990
Business-type activities:				
Capital assets being depreciated:				
Sewer system	\$14,827,025	\$ _____	\$ _____	\$14,827,025
Water system	6,500,000			6,500,000
Subtotal	\$21,327,025	\$ _____	\$ _____	\$21,327,025
Less accumulated depreciation for:				
Sewer system	6,400,332	296,541		6,696,873
Water system	2,805,833	130,000		2,935,833
Subtotal	\$ 9,206,165	\$ 426,541	\$ _____	\$ 9,632,706
Net capital assets being depreciated	\$12,120,860	\$ (426,541)	\$ _____	\$11,694,319
Net capital assets	\$12,120,860	\$ (426,541)	\$ _____	\$11,694,319

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 34,304
Public safety	46,757
Public works	171,432
Recreation and culture	138
	<u>\$ 252,631</u>
Business-type activities:	
Water and sewer	<u>\$ 426,541</u>

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE E - Interfund Receivables, Payables and Transfers

The following are the Interfund receivables at June 30, 2018:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Major Road Fund	\$ 354
	Local Road Fund	3,219
	Building Fund	5,043
	Motor Pool Fund	5,294
	Agency Funds	<u>114</u>
	Total General Fund	\$ 14,024
Local Road Fund	Major Road Fund	<u>40,485</u>
Motor Pool Fund	Major Road Fund	105
	Local Road Fund	<u>1,222</u>
	Total Motor Pool Fund	\$ <u>1,327</u>
	Total interfund receivable	\$ <u>55,836</u>

These balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

<u>Transfers In</u>	<u>Transfers (Out)</u>	
	<u>General Fund</u>	<u>Total</u>
Local Road Fund	\$ <u>270,000</u>	\$ <u>270,000</u>
Total transfers	\$ <u>270,000</u>	\$ <u>270,000</u>

Transfers from the General Fund to the Local Road Fund are to subsidize the costs of road improvements.

NOTE F - Long-Term Debt

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

	<u>Compensated Absences</u>
Balance at July 1, 2017	\$ 107,552
Decrease in obligation for compensated absences	<u>(12,856)</u>
Balance at June 30, 2018	\$ <u>94,696</u>

The following is a summary of long-term debt transactions of the City's Proprietary Fund for the year ended June 30, 2018:

	<u>General Obligation Bonds</u>
Balance at July 1, 2017	\$ 967,842
Proceeds from issue	137,294
Principal payments	<u>(46,240)</u>
Balance at June 30, 2018	\$ <u>1,058,896</u>

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE F - Long-Term Debt (continued)

In September 2014, Oakland County sold a bond to finance the construction of the Middlebelt Transport and Storage Tunnel as part of the Evergreen sewage disposal system. The City has pledged its full faith and credit to pay the costs allocated to the City for the bond. The principal amount allocated to the City is \$1,179,360. At June 30, 2018, the City's portion of the draws on the State Revolving Fund debt was \$1,105,136. As the project is not complete, future payment amounts for the City's share of the debt are not yet finalized. The next principal payment of \$47,360 is due October 1, 2018. The State Revolving Fund bond debt will be amortized over a 20-year period with an interest rate of 2.5 percent.

Compensated Absences

Accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts accumulated that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts.

NOTE G - Retirement Plans

Defined Contribution Plan:

The City provides a defined contribution pension plan for all new full-time employees, administered by Municipal Employee's Retirement System (MERS). A defined contribution plan provides pension benefits in return for services rendered, provides an individual account for each participant and specifies how contributions to the individual accounts are to be determined instead of specifying the amount of benefit the individual is to receive. Participants become one-hundred percent vested after seven years of service. In a defined contribution plan benefits depend solely on amounts contributed to the plan plus investment earnings. City contributions are calculated on an employee's base salary at a rate of 15% for police and 15% for all other employees, in accordance with the terms of negotiated labor contracts. Employees may make additional voluntary contributions to the plan.

In accordance with these requirements, the City contributed \$124,764 during the current year, while employees contributed \$40,673.

Deferred Compensation Plan:

The City offers all City employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans are held in trust, (custodial account or annuity contract) as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of the Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balance and activities are not reflected in the City's financial statements. The City contributed \$600 during the current year, while employees contributed \$14,716.

Defined Benefit Plan:

Plan Description

The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided

The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance; disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. All City full-time employees hired prior to January 1, 2000 were eligible to participate in the system. Benefits provided include plans with multipliers ranging from 2%

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE G - Retirement Plans (continued)

Defined Benefit Plan (continued):

Benefits Provided (continued)

to 2.50%. Vesting period is 10 years. Normal retirement age is 60 with early retirement at 55 with 25 years of service, 50 with 25 years of service, or 55 with 15 years of service for reduced benefits. Final average compensation is calculated based on 5 years. Member contributions range from 0% to 2.5%. The system also provides disability benefits to a member who becomes totally and permanently disabled while employed by the City and after acquiring 10 or more years of credited service. The service requirement is waived if the disability is from service connected causes. If a member or vested former member with 10 or more years of service dies in a non-duty related death before retirement, a monthly survivor allowance may be payable. The service requirement is waived in a duty related death.

Employees Covered by Benefit Terms

At the December 31, 2017 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>3</u>
	<u>17</u>

The plan is closed to general, appointed officials, building officials and police employees.

Contributions

The City 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 cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City may establish contribution rates to be paid by its covered employees.

Employer contributions are based on flat amounts determined by MERS. All four divisions are closed to new employees. The annual employer contribution for general, police, building officials, and appointed officials are \$491,412.

Net Pension Liability

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

Actuarial Assumptions

The total pension liability in the December 31, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary increases: 3.75% annually

Investment rate of return: 7.75%, net of investment expense, including inflation

Mortality rates were based on a 50 percent male and 50 percent female blend of the following tables:

1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%
2. The RP-2014 Employee Mortality Tables
3. The RP-2014 Juvenile Mortality Tables

For disabled retirees, the RP-2014 Disabled Retiree Mortality Table is used with a 50 percent male and 50 percent female blend.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of the most recent actuarial experience study from 2015.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE G - Retirement Plans (continued)

Defined Benefit Plan (continued):

Discount Rate

The discount rate used to measure the total pension liability is 8.00% for 2015 and thereafter. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay 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 method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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, 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	55.5%	8.65%
Global Fixed Income	18.5%	3.76%
Real Assets	13.5%	9.72%
Diversifying Strategies	12.5%	7.50%

Changes in Net Pension Liability

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

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balances at 12/31/16	\$ 5,831,079	\$ 3,976,477	\$ 1,854,602
Changes for the Year			
Service Cost	25,258		25,258
Interest on Total Pension Liability	451,232		451,232
Changes in benefits			
Difference between expected and actual experience	28,789		28,789
Employer Contributions		491,412	(491,412)
Employee Contributions		2,826	(2,826)
Net investment income		533,800	(533,800)
Benefit payments, including employee refunds	(406,621)	(406,621)	
Administrative expense		(8,392)	8,392
Other changes			
Net changes	<u>\$ 98,658</u>	<u>\$ 613,025</u>	<u>\$ (514,367)</u>
Balances as of 12/31/17	<u>\$ 5,929,737</u>	<u>\$ 4,589,502</u>	<u>\$ 1,340,235</u>

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

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.00%, as well as what the employer's Net Pension Liability would be, using a discount rate that is 1 percentage point lower (7.00%) or 1% higher (9.00%) than the current rate.

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
City's Net Pension Liability	\$ 1,918,441	\$ 1,340,235	\$ 843,757

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE G - Retirement Plans (continued)

Defined Benefit Plan (continued):

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

For the year ended June 30, 2018, the City recognized pension expense of \$206,614. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in experience	\$	\$
Differences in assumptions		
Net difference between projected and actual		(88,480)
Contributions subsequent to the measurement date*		
Total	<u>\$</u>	<u>\$ (88,480)</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2019.

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

Year ended	
2017	\$17,056
2018	3,822
2019	(66,855)
2020	(42,503)

Required Supplementary Information

The required supplementary information schedules that are required by GASB 68 are presented on pages 42 and 43. The Schedule of Employer's Pension Contributions shows the employer's required annual contributions from the annual actuarial valuation, compared with the actual contributions remitted.

The Schedule of Changes in Employer's Net Pension Liability and Related Ratios shows the changes in total pension liability less the statement of changes in fiduciary net position resulting in the Net Pension Liability calculation for the employer. There are ratios calculated, as well, involving covered employee payrolls.

NOTE H - Other Post Employment Benefits

Defined Benefit Plan

Plan Description

The City provides retiree healthcare benefits to eligible employees and their dependents, in accordance with labor contracts and City policy. To qualify, the employee must retire at or after age 55 and complete at least 15 years of employment with the City. Employees receive a reduced insurance benefit calculated based on years of service for those retiring before reaching 25 years of service, at which time they receive a full benefit. The plan does not offer separate stand-alone financial statements. The plan is closed to new employees hired after December 31, 2010.

Benefits Provided

The plan provides pre-Medicare medical and pharmacy benefits for eligible retirees and their dependents through a fully-insured plan administered by Blue Cross Blue Shield of Michigan. The City also provides health insurance reimbursement for out of pocket medical expenses. The retirees will continue to contribute the same percentage as employees of the City toward the premiums. Coverage shall be provided until the retired employee attains age 65 or until he (she) becomes eligible for Medicare under the Federal Social Security Program, whichever occurs first. In addition to this, the City will contribute \$350 per employee and \$600 per family each month toward the supplemental coverage cost for retired employees who have become eligible for Medicare.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE H - Other Post Employment Benefits (continued)

Employees covered by Benefit Terms – the following members were covered by the benefit terms:

Date of member count	July 1, 2017
Inactive plan members and spouses currently receiving benefits	12
Active plan members	9
Total employees covered	21

Contributions

Retiree healthcare costs are paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2018, the City made payments for postemployment health benefit premiums and reimbursements of \$153,106. Active plan members are required to contribute a percent of annual premiums to the plan.

Net OPEB Liability

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2018 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2018 measurement date. The June 30, 2018 total OPEB liability was determined by an actuarial valuation performed as of July 1, 2017, which used update procedures to roll forward the estimated liability to June 30, 2018.

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balances at 6/30/17	\$ 2,321,543	\$	\$ 2,321,543
Changes for the Year			
Service Cost	38,608		38,608
Interest Cost	69,602		69,602
Employer Contributions		153,106	(153,106)
Net investment income			
Benefit payments, including employee refunds	(153,106)	(153,106)	
Administrative expense			
Other changes			
Net changes	\$ (44,896)	\$	\$ (44,896)
Balances as of 6/30/18	\$ 2,276,647	\$	\$ 2,276,647

Plan's fiduciary net position as a percent of the total OPEB liability 0%

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

For the year ended June 30, 2018 the City recognized OPEB expense of \$108,210.

For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB (if applicable), and OPEB expenses, have been determined on the same basis as they are reported for the City. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2017. The following actuarial assumptions were applied:

Inflation	2.5%
Salary increases	3.75%
Investment rate of return	N/A
Healthcare cost trend rates:	
Medical and pharmacy	9% for 2018, decreasing 0.5% per year to an ultimate rate of 4.5% for 2027 and later years
Mortality	50% Male/50% Female RP-2014 Group Annuity Mortality Tables

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE H - Other Post Employment Benefits (continued)Discount Rate

The discount rate used to measure the total OPEB liability was 3.1 percent. As the Plan is unfunded, the discount rate is based on the index rate for 20-year tax exempt municipal bonds rated AA/Aa or higher.

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 3.1 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	<u>1% Decrease</u> <u>(2.1%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(3.1%)</u>	<u>1% Increase</u> <u>(4.1%)</u>
Net OPEB liability	\$ 2,501,647	\$ 2,276,647	\$ 2,082,647

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate of 9 percent for medical and pharmacy, decreasing medical and pharmacy by 0.5 percent annually to an ultimate 4.5 percent, as well as what the City's net OPEB liability would be if it were using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current</u> <u>Healthcare Cost</u> <u>Trend Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ 2,203,647	\$ 2,276,647	\$ 2,356,647

Defined Contribution PlanPlan Description

The City's defined contribution OPEB plan (Retirement Health Savings Plan) provides certain health care benefits to plan members and legal dependents upon termination of employment. The City participates in the ICMA-RC. Employees hired on or after January 1, 2011 participate in this plan.

Contribution Rates or Amounts

The City contributes \$2,500 annually per plan provisions for eligible employees; employees are required to contribute 3% of gross wages per plan provisions. Contribution rates are determined by the City and may be amended by the local governing body.

Benefit Terms

Employees are immediately vested in their contributions and earnings of those contributions, and become 25% vested on employer contributions after completion of 5 years of creditable service with the City and continue to vest an additional 4% for each additional year of creditable service after the first five years until 100% vested.

Contribution Amounts

For the year ended June 30, 2018, employee contributions were \$9,812 and City contributions were \$12,334.

Forfeiture Amounts:

Nonvested City contributions are forfeited upon termination of employment. Such forfeitures revert to the City. At the end of June 30, 2018 forfeitures of none were reverted to the City.

City Liability

There was a liability at the June 30, 2018 of none for contributions that were paid in the subsequent year.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE I - Fire Protection Agreement

The City has an agreement with the Tri-City Fire Department for fire protection. The Tri-City Fire Department services the City of Sylvan Lake, the City of Keego Harbor and the City of Orchard Lake Village. The governing body of the Tri-City Fire Department is made up of two members from each city. The fire protection agreement is an annual agreement and can be renewed by the governing bodies of each of the cities. Any city may withdraw from this agreement as of the last day of the term, or at any time upon not less than six months notice. Each city is obligated to pay to the Tri-City Fire Department an amount equal to one-third of the total approved annual budget of the Tri-City Fire Department. As of June 30, 2018, the Tri-City Fire Department has a fund surplus. As included in the General Fund statement of expenditures, during the year ended June 30, 2018, \$305,685 was paid for fire protection to the Tri-City Fire Department. Financial statements of the Tri-City Fire Department are available for review at the fire hall.

NOTE J - Historical Society Lease Agreement

The City has renewed its lease agreement with the Greater West Bloomfield Historical Society to lease the old City Hall facilities for an annual amount of \$1,200. The lease automatically renews unless cancelled by either party.

NOTE K - Refuse Contract

The City has entered into a contract for refuse pickup and disposal. The length of the contract is for 5 years, effective July 1, 2015 and runs through June 30, 2020. Monthly charges will be based on residential units serviced. The monthly charge per residential unit for the contract is \$11.75.

NOTE L - Library Services

The City has a contract with West Bloomfield Township Public Library to provide library services to residents of the City. Property owners of the City are assessed .3 mill for library services and the City is required to pay this amount (.3 mill) to West Bloomfield Township Public Library. The contract covers the period December 1, through November 30th of each year and is renewed automatically unless cancelled by six months written notice prior to the end of the current year period.

NOTE M - Trust and Agency Fund

The Trust and Agency Fund cash balance is composed of the following accounts at June 30, 2018:

Building bond	\$ 70,446
Water quality improvement	86,144
Tax collection	523
Site plan review	<u>11,999</u>
Total cash	<u>\$169,112</u>

NOTE N - Equipment Rental

On July 1, 1981, a Motor Pool Fund was established to account for the operation of the City's automotive and highway use equipment. Equipment with a cost of \$252,181 was contributed to the Motor Pool Fund from the General Fixed Assets. Rent is charged to the General Fund and Major and Local Road Funds on a cost reimbursement basis. For the year ended June 30, 2018, the Motor Pool Fund received rental income of \$210,000 from the General Fund, \$35,390 from the Local Road Fund and \$7,025 from the Major Road Fund.

NOTE O - Operating Lease Commitments

On September 29, 2015, the City entered into non-cancelable three year leases for a police vehicle and a department of public works vehicle with George Matick Chevrolet, Inc. The leases require total monthly payments of \$688. Total vehicle lease expense for the year ended June 30, 2018 was \$8,262. Future minimum lease payments are as follows:

June 30, 2019	<u>\$ 2,064</u>
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CITY OF ORCHARD LAKE VILLAGE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2018

NOTE P - Cable Joint Venture

The City participates in an annual programming grant that Comcast Cable and AT&T provide. The grant money is paid to West Bloomfield/Tri-Cities Cable Joint Venture Fund, which is under the joint ownership of four communities - the Cities of Orchard Lake Village, Keego Harbor, Sylvan Lake and the Township of West Bloomfield. The money in this fund must be used for the support of community cable programming. The fund is administered by the West Bloomfield Township accounting department. No part of this money is reflected in these financial statements.

NOTE Q - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for health and life claims. The City participates in the Michigan Municipal Risk Management Authority state pool for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority state pool program operates as a common risk-sharing management program; state pool member premiums are aggregated and used to purchase excess insurance coverage, some of which is underwritten by the Authority.

NOTE R - Subsequent Events

Management has evaluated subsequent events through December 10, 2018, the date on which the financial statements were available to be issued and determined there are no further items for disclosure.

NOTE S - Adoption of New Accounting Pronouncement

The Governmental Accounting Standards Board issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, which establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflows of resources and expense/expenditures. This OPEB standard requires the City to change the method of reporting these items beginning with the fiscal year ended June 30, 2018. This change resulted in adjustments to beginning net position in the Statement of Activities as follows:

	<u>Governmental Activities</u>
Beginning net position	\$ 6,792,012
Net OPEB liability	<u>(1,867,833)</u>
Adjusted beginning net position	<u>\$ 4,924,179</u>

NOTE T - Upcoming Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement establishes criteria to improve the information that is disclosed in the notes to the governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The City is currently evaluating the impact this standard will have on the financial statement when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes:				
Current levy - general	\$ 2,727,561	\$ 2,723,300	\$ 2,723,101	\$ (199)
Interest and penalty on delinquent taxes	57,000	58,250	58,447	197
Collection fees.	103,628	104,350	104,367	17
Refunds.	(10,000)	(1,000)	(20)	980
	<u>\$ 2,878,189</u>	<u>\$ 2,884,900</u>	<u>\$ 2,885,895</u>	<u>\$ 995</u>
Licenses and permits:				
General licenses	1,800	2,275	2,275	
Cable T.V.	66,000	66,000	65,014	(986)
Lawn fertilizer fees	3,500	2,350	2,350	
Other.	110	110	114	4
	<u>\$ 71,410</u>	<u>\$ 70,735</u>	<u>\$ 69,753</u>	<u>\$ (982)</u>
Federal sources:				
Community Development Block Grant.	5,000	8,000	8,000	
	<u>\$ 5,000</u>	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$</u>
State sources:				
Sales tax.	199,450	197,500	194,742	(2,758)
Liquor licenses.	3,000	2,850	2,835	(15)
Grant - election equipment			11,090	11,090
Local Community Stabilization.	3,500	2,850	2,866	16
Criminal justice training.	1,600	1,600	1,612	12
	<u>\$ 207,550</u>	<u>\$ 204,800</u>	<u>\$ 213,145</u>	<u>\$ 8,345</u>
Charges for services:				
St. Mary's security.	80,000	80,000	84,030	4,030
	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ 84,030</u>	<u>\$ 4,030</u>
Fines and forfeits:				
Fines - 48th District Court.	55,700	48,350	49,419	1,069
Parking violations	1,500	900	880	(20)
Other.	6,000	4,700	4,753	53
	<u>\$ 63,200</u>	<u>\$ 53,950</u>	<u>\$ 55,052</u>	<u>\$ 1,102</u>
Interest and rentals:				
Interest on investments.	15,800	19,300	19,476	176
Room rental.	2,400	1,950	1,900	(50)
	<u>\$ 18,200</u>	<u>\$ 21,250</u>	<u>\$ 21,376</u>	<u>\$ 126</u>
Other:				
Contributions.	5,000			
Reimbursements and refunds	35,000	26,500	25,013	(1,487)
Miscellaneous.	1,500	4,000	2,890	(1,110)
	<u>\$ 41,500</u>	<u>\$ 30,500</u>	<u>\$ 27,903</u>	<u>\$ (2,597)</u>
Total revenues	<u>\$ 3,365,049</u>	<u>\$ 3,354,135</u>	<u>\$ 3,365,154</u>	<u>\$ 11,019</u>

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Expenditures:				
General government:				
Elections:				
Fees and per diem	\$ 1,000	\$ 750	\$ 735	\$ 15
Supplies	5,200	1,500	1,481	19
Legal notices	550	550	532	18
	<u>\$ 6,750</u>	<u>\$ 2,800</u>	<u>\$ 2,748</u>	<u>\$ 52</u>
Assessing:				
Assessor and assistant	36,965	33,000	32,240	760
Legal fees	53,000	42,000	38,774	3,226
Clerk:				
Salaries	148,670	153,540	153,987	(447)
City Services Director	80,000	82,000	79,245	2,755
Treasurer	5,000	5,300	5,208	92
Deferred compensation match		600	600	
Postage	6,000	6,000	5,623	377
Office supplies and equipment	2,800	2,800	2,847	(47)
Printing	5,000	6,800	6,881	(81)
Legal notices	3,200	2,500	2,365	135
Payroll service fee	5,000	5,150	5,131	19
Miscellaneous	9,000	8,400	8,495	(95)
	<u>\$ 264,670</u>	<u>\$ 273,090</u>	<u>\$ 270,382</u>	<u>\$ 2,708</u>
Audit:				
Audit fees	8,500	10,550	10,550	
Consultations	5,000	6,150	6,145	5
	<u>\$ 13,500</u>	<u>\$ 16,700</u>	<u>\$ 16,695</u>	<u>\$ 5</u>
City Hall and grounds:				
Telephone	6,000	5,550	4,892	658
IT support/subscriptions	18,000	17,000	16,764	236
Utilities	10,500	6,500	6,088	412
Custodial and cleaning supplies	6,400	6,600	6,210	390
Repairs and maintenance	24,200	29,250	25,604	3,646
Administrative	5,000	4,500	4,500	
Equipment rental	4,500	4,000	3,963	37
	<u>\$ 74,600</u>	<u>\$ 73,400</u>	<u>\$ 68,021</u>	<u>\$ 5,379</u>
Total general government	<u>\$ 449,485</u>	<u>\$ 440,990</u>	<u>\$ 428,860</u>	<u>\$ 12,130</u>

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Expenditures (continued):				
Public safety:				
Police department:				
Salaries	771,750	782,650	787,459	(4,809)
Clerical	58,470	53,630	53,451	179
Uniform allowance	12,000	15,650	15,400	250
Equipment rental	150,000	150,000	150,000	
Weapons training	8,500	8,950	7,357	1,593
Office supplies and L.E.I.N.	19,000	19,500	15,431	4,069
Dispatch	48,000	48,500	48,480	20
Criminal justice training	5,000	2,000	1,977	23
Miscellaneous and tuition	9,000	8,200	7,968	232
	<u>\$ 1,081,720</u>	<u>\$ 1,089,080</u>	<u>\$ 1,087,523</u>	<u>\$ 1,557</u>
Fire protection (Tri-City Fire Department):				
Fire protection agreement (Note 1)	<u>305,718</u>	<u>305,718</u>	<u>305,685</u>	<u>33</u>
Total public safety	<u>\$ 1,387,438</u>	<u>\$ 1,394,798</u>	<u>\$ 1,393,208</u>	<u>\$ 1,590</u>
Community and economic development:				
Planning Commission - planner fees	15,000	13,000	12,164	836
NPDES compliance	8,000	8,000	8,132	(132)
Community Development Block Grant - HAVEN	5,000	8,000	8,000	
Environmental consultant	<u>1,100</u>	<u></u>	<u></u>	<u></u>
Total community and economic development	<u>\$ 29,100</u>	<u>\$ 29,000</u>	<u>\$ 28,296</u>	<u>\$ 704</u>
Public works:				
Public works department:				
Salaries and wages	99,500	118,050	115,951	2,099
Equipment rental	60,000	60,000	60,000	
Garage supplies	6,000	8,000	8,000	
Uniform allowance	850	425	425	
Miscellaneous	<u>500</u>	<u>1,000</u>	<u>958</u>	<u>42</u>
	<u>\$ 166,850</u>	<u>\$ 187,475</u>	<u>\$ 185,334</u>	<u>\$ 2,141</u>

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Expenditures (continued):				
Public works (continued):				
Engineering fees	2,000	500	440	60
Green Vision program	3,000	2,700	2,650	50
Tri-Party Projects		68,400	68,353	47
Street lighting	3,600	3,600	3,487	113
Refuse collection & No HAZ	116,500	116,400	116,394	6
Total public works	\$ 291,950	\$ 379,075	\$ 376,658	\$ 2,417
Culture and recreation - sanctuary	19,400	10,500	10,053	447
Other:				
Payroll taxes	75,000	87,000	89,558	(2,558)
Insurance	91,800	85,000	83,085	1,915
Hospitalization insurance	355,025	382,500	348,248	34,252
Dental insurance	10,000	9,500	8,915	585
Optical insurance	3,200	6,600	8,089	(1,489)
Group insurance	17,500	21,000	19,717	1,283
OPEB actuarial report		5,000	5,000	
Retirement plan	507,913	618,413	625,010	(6,597)
	\$ 1,060,438	\$ 1,215,013	\$ 1,187,622	\$ 27,391
Capital outlay:				
Police Department	1,250			
City Hall and grounds	22,500	20,600	31,685	(11,085)
Total capital outlay	\$ 23,750	\$ 20,600	\$ 31,685	\$ (11,085)
Total expenditures	\$ 3,261,561	\$ 3,489,976	\$ 3,456,382	\$ 33,594
Excess of revenues over (under) expenditures	\$ 103,488	\$ (135,841)	\$ (91,228)	\$ 44,613
Other financing sources (uses):				
Transfer to Local Road Fund	(250,000)	(269,810)	(270,000)	(190)
Total other financing sources (uses)	\$ (250,000)	\$ (269,810)	\$ (270,000)	\$ (190)
Excess of revenues over (under) expenditures and other sources (uses)	\$ (146,512)	\$ (405,651)	\$ (361,228)	\$ 44,423
Fund balance - July 1, 2017	802,414	802,414	802,414	
Fund balance - June 30, 2018	\$ 655,902	\$ 396,763	\$ 441,186	\$ 44,423

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
MAJOR ROAD FUND

For the Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State sources - Public Act 51	\$ 139,000	\$ 143,000	\$ 134,567	\$ (8,433)
Interest		3,500	3,762	262
Other - reimbursement	2,500		4,199	4,199
Total revenues	\$ 141,500	\$ 146,500	\$ 142,528	\$ (3,972)
Expenditures:				
Salaries and wages	17,000	6,000	4,914	1,086
Routine purchases	21,000	21,000	20,582	418
Purchased services	30,000	8,000	48,745	(40,745)
Audit fees	1,100	1,100	1,100	
Equipment rental	16,000	9,000	7,025	1,975
Total expenditures	\$ 85,100	\$ 45,100	\$ 82,366	\$ (37,266)
Excess of revenues over (under)				
expenditures	\$ 56,400	\$ 101,400	\$ 60,162	\$ (41,238)
Fund balance - July 1, 2017	236,418	236,418	236,418	
Fund balance - June 30, 2018	\$ 292,818	\$ 337,818	\$ 296,580	\$ (41,238)

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LOCAL ROAD FUND

For the Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State sources:				
Public Act 51	\$ 94,000	\$ 94,000	\$ 88,380	\$ (5,620)
Metro Authority	6,300	8,500	8,010	(490)
State Special Distribution		16,500	16,452	(48)
Interest		200	192	(8)
Other - reimbursement	2,000			
Total revenues	\$ 102,300	\$ 119,200	\$ 113,034	\$ (6,166)
Expenditures:				
Salaries and wages	31,000	40,000	36,272	3,728
Routine purchases	18,500	27,250	24,846	2,404
Purchased services	290,655	255,000	213,773	41,227
Audit fees	1,100	1,100	1,100	
Equipment rental	29,000	36,000	36,590	(590)
Total expenditures	\$ 370,255	\$ 359,350	\$ 312,581	\$ 46,769
Excess of revenues over (under) expenditures	\$ (267,955)	\$ (240,150)	\$ (199,547)	\$ 40,603
Other financing sources:				
Transfer from General Fund	250,000	270,000	270,000	
Total other financing sources	\$ 250,000	\$ 270,000	\$ 270,000	\$
Excess of revenues and other sources over (under) expenditures	\$ (17,955)	\$ 29,850	\$ 70,453	\$ 40,603
Fund balance - July 1, 2017	7,747	7,747	7,747	
Fund balance - June 30, 2018	\$ (10,208)	\$ 37,597	\$ 78,200	\$ 40,603

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LIBRARY FUND

For the Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 95,765	\$ 95,765	\$ 96,198	\$ 433
Interest			240	240
Total revenues	\$ 95,765	\$ 95,765	\$ 96,438	\$ 673
Expenditures:				
Library services	95,765	95,765	96,221	(456)
Total expenditures	\$ 95,765	\$ 95,765	\$ 96,221	\$ (456)
Excess of revenues over expenditures	\$	\$	\$ 217	\$ 217
Fund balance - July 1, 2017	2,577	2,577	2,577	
Fund balance - June 30, 2018	\$ 2,577	\$ 2,577	\$ 2,794	\$ 217

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS
(Schedule is Built Prospectively Upon Implementation of GASB 68)

	2017	2016	2015	2014
Total Pension Liability:				
Service Cost	\$ 25,258	\$ 29,877	\$ 28,406	\$ 28,516
Interest	451,232	450,306	439,610	434,476
Changes of Benefit Terms				
Difference between expected and actual experience	28,789	(61,300)	(26,890)	
Changes of assumptions			261,730	
Benefit payments including employee refunds	(406,621)	(403,371)	(403,371)	(398,067)
Other		(1)	(1)	
Net Change in Total Pension Liability	\$ 98,658	\$ 15,511	\$ 299,484	\$ 64,925
Total Pension Liability beginning	5,831,079	5,815,568	5,516,084	5,451,159
Total Pension Liability ending	\$ 5,929,737	\$ 5,831,079	\$ 5,815,568	\$ 5,516,084
Plan Fiduciary Net Position:				
Contributions-employer	\$ 491,412	\$ 496,839	\$ 224,571	\$ 186,599
Contributions-employee	2,826	2,728	2,666	2,925
Net Investment income	533,800	404,029	(53,897)	230,825
Benefit payments including employee refunds	(406,621)	(403,371)	(403,371)	(398,067)
Administrative expense	(8,392)	(7,971)	(8,017)	(8,435)
Net Change in Plan Fiduciary Net Position	\$ 613,025	\$ 492,254	\$ (238,048)	\$ 13,847
Plan Fiduciary Net Position beginning	3,976,477	3,484,223	3,722,271	3,708,424
Plan Fiduciary Net Position ending	\$ 4,589,502	\$ 3,976,477	\$ 3,484,223	\$ 3,722,271
Employer Net Pension Liability	\$ 1,340,235	\$ 1,854,602	\$ 2,331,345	\$ 1,793,813
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	77%	68%	60%	67%
Covered Employee Payroll	\$ 251,765	\$ 315,333	\$ 303,656	\$ 306,473
Employer's Net Pension Liability as a percentage of covered employee payroll	532%	588%	768%	585%

Notes to schedule:

Benefit Changes: A change in liability due to benefit changes is immediately recognized when calculating pension expense for the year.

Changes in Assumptions: Changes in liability due to differences between actual and expected experience, and changes in assumptions, are recognized in pension expense over the average remaining service lives of all employees.

Above dates are based on measurement date, which differs from the fiscal year.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS
(Schedule is Built Prospectively Upon Implementation of GASB 68)

	Year ended June 30, 2018	Year ended June 30, 2017	Year ended June 30, 2016	Year ended June 30, 2015
Actuarial Determined Contributions	\$ 414,420	\$ 337,942	\$ 248,797	\$ 200,637
Contributions in relation to the actuarially determined contribution	<u>491,412</u>	<u>372,466</u>	<u>248,797</u>	<u>200,637</u>
Contribution deficiency (excess)	<u>\$ (76,992)</u>	<u>\$ (34,524)</u>	<u>\$</u>	<u>\$</u>
Covered Employee Payroll	\$ 251,765	\$ 315,333	\$ 306,473	\$ 306,473
Contributions as a percentage of covered employee payroll	195%	118%	81%	65%

Notes to schedule:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	2 - 18 years (depends on division)
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary Increases	3.75%
Investment rate of return	7.75%
Retirement age	60
Mortality	50% Female/50% Male
	RP-2014 Group Annuity Mortality Tables

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET OPEB LIABILITY AND RELATED RATIOS
(Schedule is Built Prospectively Upon Implementation of GASB 75)

	<u>2018</u>
Total OPEB Liability:	
Service Cost	\$ 38,608
Interest	69,602
Changes of Benefit Terms	
Difference between expected and actual experience.	
Changes of assumptions	
Benefit payments including employee refunds.	(153,106)
Other.	
Net Change in Total OPEB Liability	\$ (44,896)
Total OPEB Liability beginning	<u>2,321,543</u>
Total OPEB Liability ending.	<u>\$ 2,276,647</u>
 Plan Fiduciary Net Position:	
Contributions-employer	\$ 153,106
Contributions-employee	
Net Investment income.	
Benefit payments including employee refunds.	(153,106)
Administrative expense	
Net Change in Plan Fiduciary Net Position.	\$
Plan Fiduciary Net Position beginning.	<u></u>
Plan Fiduciary Net Position ending	<u>\$</u>
 Employer Net Pension Liability	<u>\$ 2,276,647</u>
 Plan Fiduciary Net Position as a percentage of the	
Total Pension Liability.	0%
 Covered Employee Payroll	\$ 712,982
 Employer's Net Pension Liability as a percentage	
of covered employee payroll.	319%

Notes to schedule:

Benefit Changes: A change in liability due to benefit changes is immediately recognized when calculating OPEB expense for the year.

Changes in Assumptions: Changes in liability due to differences between actual and expected experience, and changes in assumptions, are recognized in OPEB expense over the average remaining service lives of all employees.

Above dates are based on measurement date, which differs from the fiscal year.

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

SCHEDULE OF EMPLOYER'S OPEB CONTRIBUTIONS
(Schedule is Built Prospectively Upon Implementation of GASB 75)

	Year ended June 30, 2018
Actuarial Determined Contributions	\$ 153,106
Contributions in relation to the actuarially determined contribution	153,106
Contribution deficiency (excess).	\$
Covered Employee Payroll.	\$ 712,982
Contributions as a percentage of covered employee payroll.	21%

Notes to OPEB schedule:

Actuarial cost method	Individual Entry Age Normal
Amortization method	Level percentage of payroll, closed
Asset valuation method	N/A
Inflation	2.5%
Healthcare cost trend rates	9%, gradually decreasing to 4.5% in 10 years
Salary Increases	3.75%
Investment rate of return	3.10%
Retirement age	55
Mortality	50% Female/50% Male RP-2014 Group Annuity Mortality Tables

OTHER SUPPLEMENTARY INFORMATION

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Building Fund	OLSA Fund	Total Non-major Special Revenue Funds
ASSETS			
Cash and cash equivalents	\$ 137,259	\$ 31,787	\$ 169,046
Prepaid expenses		4,740	4,740
Total assets	<u>\$ 137,259</u>	<u>\$ 36,527</u>	<u>\$ 173,786</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 3,045	\$ 1,894	\$ 4,939
Due to other funds	5,043		5,043
Total liabilities	\$ 8,088	\$ 1,894	\$ 9,982
Fund balances:			
Nonspendable - Prepaid Expenses		4,740	4,740
Restricted	129,171	29,893	159,064
Total fund balances	\$ 129,171	\$ 34,633	\$ 163,804
Total liabilities and fund balances	<u>\$ 137,259</u>	<u>\$ 36,527</u>	<u>\$ 173,786</u>

CITY OF ORCHARD LAKE VILLAGE, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2018

	Building Fund	OLSA Fund	Total Non-major Special Revenue Funds
Revenues:			
Licenses and permits.	\$ 174,238	\$	\$ 174,238
Interest.	551	350	901
Other- special assessment	<u>53,018</u>	<u>53,018</u>	<u>53,018</u>
Total revenues.	\$ 174,789	\$ 53,368	\$ 228,157
Expenditures:			
Public safety	100,004	6,502	106,506
Public works.	<u>40,520</u>	<u>40,520</u>	<u>40,520</u>
Total expenditures.	\$ 100,004	\$ 47,022	\$ 147,026
Excess of revenues over expenditures.	\$ 74,785	\$ 6,346	\$ 81,131
Fund balance - July 1, 2017	<u>54,386</u>	<u>28,287</u>	<u>82,673</u>
Fund balance - June 30, 2018.	<u>\$ 129,171</u>	<u>\$ 34,633</u>	<u>\$ 163,804</u>