

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Lake Orion	County Oakland
Audit Date 6/30/05	Opinion Date 8/29/05	Date Accountant Report Submitted to State: 10/18/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

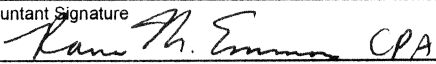
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed		
	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Post, Smythe, Lutz and Ziel LLP			
Street Address 1034 W. Ann Arbor Trail		City Plymouth	State MI
Accountant Signature  CPA		ZIP 48170	Date 10-18-05

VILLAGE OF LAKE ORION
Oakland County, Michigan

AUDITED FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2005

VILLAGE OF LAKE ORION
For the Year Ended June 30, 2005
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FINANCIAL SECTION

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Independent Auditor's Report

August 29, 2005

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Lake Orion, Michigan as of and for the year ended June 30, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Lake Orion's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

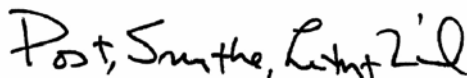
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Lake Orion as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members of the Village Council
Village of Lake Orion, Michigan
August 29, 2005

The management's discussion and analysis and the defined benefit pension plans-trend information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on them.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Lake Orion's basic financial statements. The accompanying required supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The required supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

A handwritten signature in black ink that reads "Post, Smythe, Lutz & Ziel". The signature is written in a cursive, flowing style.

POST, SMYTHE, LUTZ and ZIEL LLP
Certified Public Accountants



Village Of Lake Orion

37 E. Flint Street
Lake Orion, MI 48362
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Management's Discussion and Analysis

As management of the Village of Lake Orion, we offer readers of the Village of Lake Orion's financial statements this narrative overview and analysis of the financial activities of the Village of Lake Orion for the fiscal year ended June 30, 2005. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- The assets of the Village of Lake Orion exceeded its liabilities at the close of the most recent fiscal year by \$9,788,507 (*net assets*). Of this amount, \$5,247,586 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$392,857.
- At the close of the current fiscal year, the Village of Lake Orion's governmental funds reported combined ending fund balances of \$1,007,395. Approximately 70 percent of this total amount, \$704,331 is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$144,938, or 16 percent of total general fund expenditures.
- The Village of Lake Orion's total debt decreased by \$433,242 (10 percent) during the current fiscal year.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs,

regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the public works fund, and the police fund, all of which are considered to be major funds. Data from the other governmental

funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

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

The basic fiduciary fund financial statements can be found on pages 20-21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-42 of this report.

Government-wide Financial Analysis

Assets exceeded liabilities by \$9,788,507 at the close of the most recent fiscal year. Of the Village of Lake Orion's net assets, 43 percent reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Village of Lake Orion uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Village of Lake Orion's Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 1,231,792	\$ 1,250,308	\$ 4,797,315	\$ 4,649,615	\$ 6,029,107	\$ 5,899,923
Capital Assets	<u>2,856,238</u>	<u>2,936,166</u>	<u>5,389,066</u>	<u>5,586,606</u>	<u>8,245,304</u>	<u>8,522,772</u>
Total Assets	<u>4,088,030</u>	<u>4,186,474</u>	<u>10,186,381</u>	<u>10,236,221</u>	<u>14,274,411</u>	<u>14,422,695</u>
Long-term liabilities outstanding	1,592,491	1,724,285	2,439,210	2,626,166	4,031,701	4,350,451
Other liabilities	<u>224,397</u>	<u>380,753</u>	<u>229,806</u>	<u>295,841</u>	<u>454,203</u>	<u>676,594</u>
Total Liabilities	<u>1,816,888</u>	<u>2,105,038</u>	<u>2,669,016</u>	<u>2,922,007</u>	<u>4,485,904</u>	<u>5,027,045</u>
Net Assets:						
Invested in capital assets, net of						
related debt	1,263,747	1,211,881	2,882,589	2,891,554	4,146,336	4,103,435
Restricted	187,349	155,150	207,236	213,792	394,585	368,942
Unrestricted	<u>820,046</u>	<u>714,405</u>	<u>4,427,540</u>	<u>4,208,868</u>	<u>5,247,586</u>	<u>4,923,273</u>
Total Net Assets	<u>\$ 2,271,142</u>	<u>\$ 2,081,436</u>	<u>\$ 7,517,365</u>	<u>\$ 7,314,214</u>	<u>\$ 9,788,507</u>	<u>\$ 9,395,650</u>

At the end of the current fiscal year, the Village of Lake Orion is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Net assets increased by \$392,857 during the current fiscal year.

Governmental activities. Governmental activities increased net assets by \$189,706, accounting for 48 percent of the total growth in the net assets of the Village of Lake Orion.

Village of Lake Orion - Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	\$ 695,089	\$ 597,570	\$ 908,211	\$ 902,772	\$ 1,603,300	\$ 1,500,342
Operating Grants & Contributions	563,538	372,798	-	-	563,538	372,798
Capital Grants & Contributions	-	66,533	181,078	479,860	181,078	546,393
General Revenues:						
Property Taxes	1,003,195	980,300	143,975	144,069	1,147,170	1,124,369
State Shared Revenues	243,325	243,657	-	-	243,325	243,657
Unrestricted Investment Earnings	25,467	15,643	103,860	57,930	129,327	73,573
Gain on Sale of Assets	-	2,110	-	-	-	2,110
Total Revenues	2,530,614	2,278,611	1,337,124	1,584,631	3,867,738	3,863,242
Expenses:						
General Government	622,502	551,819	-	-	622,502	551,819
Public Safety	793,185	727,800	-	-	793,185	727,800
Public Works	787,143	720,285	-	-	787,143	720,285
Health and Welfare	2,200	2,200	-	-	2,200	2,200
Community Development	87,996	68,648	-	-	87,996	68,648
Recreation and Cultural	37,595	37,565	-	-	37,595	37,565
Interest on Long-Term Debt	65,287	69,299	-	-	65,287	69,299
Water and Sewer	-	-	1,133,973	1,144,491	1,133,973	1,144,491
Total Expenses	2,395,908	2,177,616	1,133,973	1,144,491	3,529,881	3,322,107
Change in Net Assets before Transf.	134,706	100,995	203,151	440,140	337,857	541,135
Transfers	55,000	-	-	-	55,000	-
Change in Net Assets	\$ 189,706	\$ 100,995	\$ 203,151	\$ 440,140	\$ 392,857	\$ 541,135

Key elements of this net asset increase (\$ rounded to thousands) are as follows:

- Increase due to reduction in Long term debt of \$113,000.
- Decrease of Capital Assets due to depreciation of \$80,000.
- Increase from property tax revenue of \$55,000 (assessed value increase less millage rate reduction).
- Increase due to Atwater Street Construction transfer from DDA not spent in this fiscal year of \$46,000.
- Increase due to movement of police township revenue to be recognized in the year received \$226,000.
- Increase due to transfer of DDA capture of police township revenue to police fund \$35,000.

Decrease in net assets due to key increases in operating expenditures included:

- Attorney and planner costs due to increased litigation, capital projects, and work on new zoning ordinance increased \$63,000.
- Employee benefits increased \$57,000 (Health insurance \$23,000 and pension \$34,000).
- Capital Improvement expenditures increased \$44,000.
- Phase II stormwater system improvements of \$46,000.

Business-type activities. Business-type activities increased net assets by \$203,151, accounting for 52 percent of the total growth in net assets. Most of this increase is due to tap fee revenue from the Atwater Commons development and Symphony Homes development.

Financial Analysis of the Government's Funds

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

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

Fund Balance Comparison for Governmental Funds

	General Fund	Public Works	Police	Other Govt Funds	Total Funds
Fund Balance 6-30-2004	347,440	65,768	63,718	374,077	851,003
Fund Balance 6-30-2005	242,437	91,481	240,218	433,259	1,007,395
Net Change in Fund Balance	(105,003)	25,713	176,500	59,182	156,392

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$1,007,395, approximately 70 percent of this total amount (\$704,331) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) for prepaid expenses (\$103,800), 2) to pay debt service (\$18,935), 3) to generate income to pay for the perpetual care of the municipal cemetery (\$152,143) or 4) for other restricted purposes (\$28,186). Total governmental fund balances increased \$156,392 for the 2004-2005 fiscal year as compared to the 2003-2004 fiscal year.

The General Fund is the chief operating fund of the Village of Lake Orion. At the end of the current fiscal year, unreserved fund balance of the general fund was \$144,938, while total fund balance was \$242,437. Unreserved fund balance represents 16 percent of total general fund expenditures, while total fund balance represents 27 percent of that same amount.

The fund balance of the Village of Lake Orion's General Fund decreased by \$105,003 during the current fiscal year. This decrease is attributable to an increase in expenses in the area of legal, planners, health care, and pension, and a reduction in state shared revenues.

The Public Works Fund has a total fund balance of \$91,481; unreserved fund balance in the Public Works Fund was \$78,026. The total Public Works fund balance represents an increase of \$25,713 in comparison with the prior year.

The Police Fund has a total fund balance of \$240,218; unreserved fund balance in the Police Fund was \$219,186. The total Police fund balance represents an increase of \$176,500 in comparison with the prior year.

Key elements of this change (\$ rounded to thousands) are as follows:

- \$261,000 township police mileage revenue increase mostly due to township police revenue being recognized in the year received.
- \$72,000 decrease in General Fund allocations
- \$28,000 decrease in Fund Balance due to an increase in Employee benefit expenses, mostly attributable to health insurance and pension increases.

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

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$4,427,540. Factors concerning the change in net assets have already been addressed in the discussion of business-type activities.

General Fund Budgetary Highlights

There were no differences between the original budget and the final amended budget total in revenues and a total \$11,000 increase in expenditures.

Capital Asset and Debt Administration

Capital assets. The Village of Lake Orion's investment in capital assets for its governmental and business type activities is \$7,592,287 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, machinery and equipment, park facilities, roads, and bridges. The increase in the Village of Lake Orion's investment in capital assets for the current fiscal year was 1 percent for governmental activities, with no increase in business-type activities.

Major capital asset events during the current fiscal year included the following:

- Police vehicle (\$24,859).
- Atwater playscape (\$10,480).

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

Long-term debt. At the end of the current fiscal year, the Village of Lake Orion had total bond debt outstanding of \$4,040,000. Of this amount, \$1,380,000 is governmental, \$2,525,000 is business-type, and \$135,000 Component Unit (DDA). The Village of Lake Orion's total bond debt decreased by \$425,000 (10 percent) during the current fiscal year.

The Village of Lake Orion received an "A" rating from Standard & Poor's in 2004 for bond debt.

Additional information on the Village of Lake Orion's long-term debt can be found in note IV.E on pages 34-35 of this report.

Economic Factors and Next Year's Budgets and Rates

Last year the Village of Lake Orion reduced its property tax millage rate. Property taxes make up about 50 percent of our General Fund Budget, and they experienced a 4 percent increase in assessed values for 2005/2006. State Shared

Revenues now make up 16 percent of our General Fund Budget; they have been reduced over 20 percent in the past 3 years.

The Village experiences annual increases in employee health and pension expenses above the rate of inflation. The Village is currently proposing program adjustments necessary to maintain financial stability.

The Village purchases its water from Orion Township (City of Detroit water) and its sewer services from the City of Detroit through Oakland County. The operations of the Water and Sewer Fund resulted in an operation loss of \$114,094. We are currently reviewing the rate structure for these services based on a Water and Sewer Rate Study completed by Bendzinski & Co.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

VILLAGE OF LAKE ORION
Statement of Net Assets
June 30, 2005

	Primary Government			Component
	Governmental	Business-type	Total	Unit -
	Activities	Activities		DDA
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 874,771	\$ 4,012,039	\$ 4,886,810	\$ 449,142
Receivables (net of allowance for uncollectibles)	227,768	306,785	534,553	7,777
Due from Other Governmental Units	25,453	-	25,453	-
Inventory	-	13,707	13,707	-
Prepaid Expenditures	103,800	-	103,800	1,254
Restricted Assets - Cash and Cash Equivalents	-	464,784	464,784	-
Capital Assets (net of accumulated depreciation)	2,856,238	4,736,049	7,592,287	959,270
Intangible Assets (net of accumulated amortization)	-	653,017	653,017	-
Total Assets	<u>4,088,030</u>	<u>10,186,381</u>	<u>14,274,411</u>	<u>1,417,443</u>
<u>LIABILITIES</u>				
Accounts Payable	45,525	127,325	172,850	28,196
Accrued Liabilities	44,631	539	45,170	-
Deferred Revenue	134,241	8,010	142,251	5,631
Liabilities payable from restricted assets	-	93,932	93,932	-
Noncurrent Liabilities:				
Due within one year	120,000	120,000	240,000	135,000
Due in more than one year	<u>1,472,491</u>	<u>2,319,210</u>	<u>3,791,701</u>	<u>-</u>
Total Liabilities	<u>1,816,888</u>	<u>2,669,016</u>	<u>4,485,904</u>	<u>168,827</u>
<u>NET ASSETS</u>				
Invested in Capital Assets, net of related debt	1,263,747	2,882,589	4,146,336	824,270
Restricted for:				
Highways and Streets	16,271	-	16,271	-
Debt Service	18,935	207,236	226,171	16,828
Perpetual Care	152,143	-	152,143	-
Unrestricted	<u>820,046</u>	<u>4,427,540</u>	<u>5,247,586</u>	<u>407,518</u>
Total Net Assets	<u>\$ 2,271,142</u>	<u>\$ 7,517,365</u>	<u>\$ 9,788,507</u>	<u>\$ 1,248,616</u>

VILLAGE OF LAKE ORION
Statement of Activities
For the Year Ended June 30, 2005

<u>Functions/Programs</u>	Program Revenues			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 622,502	\$ 158,656	\$ -	\$ -
Public Safety	793,185	188,709	403,981	-
Public Works	787,143	316,452	157,357	-
Health and Welfare	2,200	-	2,200	-
Community Development	87,996	25,895	-	-
Recreation and Cultural	37,595	5,377	-	-
Interest on Long-Term Debt	65,287	-	-	-
Total Governmental Activities	<u>2,395,908</u>	<u>695,089</u>	<u>563,538</u>	<u>-</u>
Business-type Activities:				
Water and Sewer	<u>1,133,973</u>	<u>908,211</u>	<u>-</u>	<u>181,078</u>
Total Primary Government	<u>\$ 3,529,881</u>	<u>\$ 1,603,300</u>	<u>\$ 563,538</u>	<u>\$ 181,078</u>
Component Units	<u>\$ 428,380</u>	<u>\$ 13,712</u>	<u>\$ 91,569</u>	<u>\$ -</u>

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

Change in Net Assets
Net Assets - Beginning

Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Primary Government		Component Unit - DDA
	Business-type Activities	Total	
\$ (463,846)	\$ -	\$ (463,846)	\$ -
(200,495)	-	(200,495)	-
(313,334)	-	(313,334)	-
-	-	-	-
(62,101)	-	(62,101)	-
(32,218)	-	(32,218)	-
(65,287)	-	(65,287)	-
<u>(1,137,281)</u>	<u>-</u>	<u>(1,137,281)</u>	<u>-</u>
 -	 (44,684)	 (44,684)	 -
 (1,137,281)	 (44,684)	 (1,181,965)	 -
 -	 -	 -	 (323,099)
 1,003,195	 143,975	 1,147,170	 521,585
243,325	-	243,325	-
25,467	103,860	129,327	10,546
55,000	-	55,000	(55,000)
<u>1,326,987</u>	<u>247,835</u>	<u>1,574,822</u>	<u>477,131</u>
 189,706	 203,151	 392,857	 154,032
<u>2,081,436</u>	<u>7,314,214</u>	<u>9,395,650</u>	<u>1,094,584</u>
 \$ <u>2,271,142</u>	 \$ <u>7,517,365</u>	 \$ <u>9,788,507</u>	 \$ <u>1,248,616</u>

VILLAGE OF LAKE ORION

Balance Sheet
Governmental Funds
June 30, 2005

	<u>General</u>	<u>Public Works</u>	<u>Police</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 113,788	\$ 97,527	\$ 245,097	\$ 418,359	\$ 874,771
Receivables (net of allowance for uncollectibles)	124,047	-	90,831	975	215,853
Special Assessment Receivable	-	-	-	11,915	11,915
Due from State	-	-	-	25,453	25,453
Advance to Other Funds	11,915	-	-	-	11,915
Prepaid Expenditures	69,313	13,455	21,032	-	103,800
Total Assets	\$ <u>319,063</u>	\$ <u>110,982</u>	\$ <u>356,960</u>	\$ <u>456,702</u>	\$ <u>1,243,707</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts Payable	\$ 22,824	\$ 1,322	\$ 9,851	\$ 11,528	\$ 45,525
Accrued and Other Liabilities	4,201	18,179	22,251	-	44,631
Advance from Other Funds	-	-	-	11,915	11,915
Deferred Revenue	49,601	-	84,640	-	134,241
Total Liabilities	<u>76,626</u>	<u>19,501</u>	<u>116,742</u>	<u>23,443</u>	<u>236,312</u>
Fund Balances:					
Reserved for:					
Highways and Streets	16,271	-	-	-	16,271
Perpetual Care	-	-	-	152,143	152,143
Advances	11,915	-	-	-	11,915
Prepays	69,313	13,455	21,032	-	103,800
Debt Service	-	-	-	18,935	18,935
Unreserved, reported in:					
General Fund	144,938	-	-	-	144,938
Special Revenue Funds	-	78,026	219,186	144,003	441,215
Capital Projects Funds	-	-	-	118,178	118,178
Total Fund Balance	<u>242,437</u>	<u>91,481</u>	<u>240,218</u>	<u>433,259</u>	<u>1,007,395</u>
Total Liabilities and Fund Balance	\$ <u>319,063</u>	\$ <u>110,982</u>	\$ <u>356,960</u>	\$ <u>456,702</u>	

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

Capital Assets used in governmental activities are not financial resources and,
therefore, are not reported in the funds.

2,856,238

Long-term liabilities, including bonds payable, are not due and payable in the
current period and therefore are not reported in the funds.

(1,592,491)

Net Assets of Governmental Activities

\$ 2,271,142

VILLAGE OF LAKE ORION
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2005

	<u>General</u>	<u>Public Works</u>	<u>Police</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
Property Taxes	\$ 847,184	\$ -	\$ -	\$ 156,011	\$ 1,003,195
Intergovernmental:					
Federal, State and Local	245,525	-	403,981	157,357	806,863
Charges for Services	222,442	134,483	-	-	356,925
Fines and Forfeitures	-	-	55,728	-	55,728
Special Assessments	5,016	-	-	-	5,016
Interest and Rent	12,114	1,426	3,294	8,633	25,467
Other	121,700	-	132,981	22,739	277,420
Total Revenues	<u>1,453,981</u>	<u>135,909</u>	<u>595,984</u>	<u>344,740</u>	<u>2,530,614</u>
<u>Expenditures</u>					
Current:					
General Government	523,853	-	-	-	523,853
Public Safety	-	-	779,484	-	779,484
Public Works	185,211	320,796	-	197,948	703,955
Health and Welfare	2,200	-	-	-	2,200
Community Development	87,996	-	-	-	87,996
Recreation and Cultural	30,140	-	-	-	30,140
Other Functions	59,984	-	-	14,227	74,211
Debt Service:					
Principal	-	-	-	105,000	105,000
Interest and Other Charges	-	-	-	65,287	65,287
Capital Outlay	-	-	-	57,096	57,096
Total Expenditures	<u>889,384</u>	<u>320,796</u>	<u>779,484</u>	<u>439,558</u>	<u>2,429,222</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>564,597</u>	<u>(184,887)</u>	<u>(183,500)</u>	<u>(94,818)</u>	<u>101,392</u>
<u>Other Financing Sources (Uses)</u>					
Transfers In	-	210,600	360,000	200,789	771,389
Transfers Out	(669,600)	-	-	(101,789)	(771,389)
Transfer In - Component Unit	-	-	-	55,000	55,000
Total Other Financing Sources (Uses)	<u>(669,600)</u>	<u>210,600</u>	<u>360,000</u>	<u>154,000</u>	<u>55,000</u>
Net Change in Fund Balance	(105,003)	25,713	176,500	59,182	156,392
Fund Balance - Beginning	<u>347,440</u>	<u>65,768</u>	<u>63,718</u>	<u>374,077</u>	<u>851,003</u>
Fund Balance - Ending	<u>\$ 242,437</u>	<u>\$ 91,481</u>	<u>\$ 240,218</u>	<u>\$ 433,259</u>	<u>\$ 1,007,395</u>

VILLAGE OF LAKE ORION
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2005

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

Net change in fund balance - total governmental funds	\$ 156,392
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(79,928)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>113,242</u>
Change in net assets in governmental activities	\$ <u><u>189,706</u></u>

VILLAGE OF LAKE ORION

Balance Sheet
Proprietary Fund
June 30, 2005

	<u>Enterprise Fund</u> <u>Water & Sewer</u>
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 4,012,039
Accounts Receivable	306,785
Inventory	13,707
Total Current Assets	<u>4,332,531</u>
Restricted Assets - Cash	<u>464,784</u>
Property, Plant and Equipment	8,833,157
Less: Accumulated Depreciation	<u>(4,097,108)</u>
Net Property, Plant and Equipment	<u>4,736,049</u>
Intangible Assets (net of accumulated amortization)	<u>653,017</u>
Total Assets	<u>\$ 10,186,381</u>
<u>LIABILITIES AND EQUITY</u>	
Current Liabilities:	
Accounts Payable	\$ 127,325
Compensated Absences Payable	539
Deferred Revenue	8,010
General Obligation Bonds Payable	120,000
Total Current Liabilities	<u>255,874</u>
Current Liabilities Payable from Restricted Assets:	
Revenue Bonds Payable	80,000
Accrued Interest Payable	13,932
Total Current Liabilities Payable from Restricted Assets	<u>93,932</u>
Long-Term Liabilities:	
Compensated Absences Payable	12,733
General Obligation Bonds Payable	960,000
Revenue Bonds Payable (net of unamortized discount)	1,346,477
Total Long-Term Liabilities	<u>2,319,210</u>
Total Liabilities	<u>2,669,016</u>
Equity:	
Invested in Capital Assets, Net of Related Debt	2,882,589
Restricted for Debt Service	207,236
Unrestricted	4,427,540
Total Equity	<u>7,517,365</u>
Total Liabilities and Equity	<u>\$ 10,186,381</u>

VILLAGE OF LAKE ORION
Statement of Revenues, Expenses and Changes in Fund Equity
Proprietary Fund
For the Year Ended June 30, 2005

	<u>Enterprise Fund</u> <u>Water & Sewer</u>
<u>Operating Revenues:</u>	
Charges for Services	\$ 887,895
Penalty Charges	15,019
Miscellaneous	5,297
Total Operating Revenues	<u>908,211</u>
<u>Operating Expenses:</u>	
Salaries and Fringe Benefits	40,255
Water Purchases	360,297
Sewage Treatment	338,808
General and Administrative	35,700
Supplies	11,664
Contract Services	11,150
Equipment Rentals	25,221
Depreciation and Amortization	197,540
Other	1,670
Total Operating Expenses	<u>1,022,305</u>
Operating Income (Loss)	<u>(114,094)</u>
<u>Non-Operating Revenues (Expenses):</u>	
Property Taxes	143,975
Interest Earned	103,860
Interest Expense and Related Fees	(111,668)
Total Non-Operating Revenues (Expenses)	<u>136,167</u>
Income before Contributions and Transfers	22,073
Capital Contributions - Tap Fees	<u>181,078</u>
Net Income	203,151
Fund Equity, Beginning	<u>7,314,214</u>
Fund Equity, Ending	<u>\$ 7,517,365</u>

VILLAGE OF LAKE ORION
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2005

	<u>Enterprise Fund</u> <u>Water & Sewer</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from customers and users	\$ 874,391
Payments to Suppliers	(848,955)
Payments to Employees	(40,255)
Net Cash Used by Operating Activities	<u>(14,819)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Property Taxes Levied	<u>143,975</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Capital Contributions	181,078
Principal Paid on Capital Debt	(190,000)
Interest Paid on Capital Debt	(110,243)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(119,165)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Earned	<u>103,860</u>
Net Increase (Decrease) in Cash and Cash Equivalents	113,851
Cash and Cash Equivalents, Beginning	<u>4,362,972</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 4,476,823</u></u>
Balance Sheet Classification of Cash and Cash Equivalents:	
Cash and Cash Equivalents	\$ 4,012,039
Restricted Assets	464,784
Total	<u><u>\$ 4,476,823</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>	
Operating Income (Loss)	\$ (114,094)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization Expense	197,540
(Increase) Decrease in Receivables	(7,836)
Increase (Decrease) in Accounts Payable	6,140
Increase (Decrease) in Retainage Payable	(43,707)
Increase (Decrease) in Due to Other Funds	(26,013)
Increase (Decrease) in Accrued Interest Payable	(865)
Increase (Decrease) in Deferred Revenue	(25,984)
Net Cash Used by Operating Activities	<u><u>\$ (14,819)</u></u>

VILLAGE OF LAKE ORION
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	<u>Pension Trust Fund</u>	<u>Agency Fund</u>
<u>ASSETS</u>		
Cash	\$ -	\$ 153,165
Investments	<u>121,821</u>	<u>-</u>
Total Assets	<u>121,821</u>	<u>153,165</u>
 <u>LIABILITIES</u>		
Due to Other	<u>-</u>	<u>153,165</u>
Total Liabilities	<u>-</u>	<u>153,165</u>
 <u>NET ASSETS</u>		
Reserved for Employee's Pension Benefits	\$ <u><u>121,821</u></u>	\$ <u><u>-</u></u>

VILLAGE OF LAKE ORION
Statement of Changes in Fiduciary Net Assets
Pension Trust Fiduciary Fund
For the Year Ended June 30, 2005

Additions:		
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	\$	3,534
Contributions:		
Employer		5,341
Employee		-
Total Additions		<u>8,875</u>
Deductions		<u>-</u>
Net Increase		8,875
Net Assets - Beginning		<u>112,946</u>
Net Assets - Ending	\$	<u><u>121,821</u></u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

Discretely Presented Component Unit

Downtown Development Authority

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

B. Government-Wide and Fund Financial Statements

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

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Government-Wide and Fund Financial Statements – Continued

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

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

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

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

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

Governmental Funds

The Village reports the following major governmental funds:

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

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

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

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

The Pension Trust Fund accounts for the activities of the Employee Pension Plan, which accumulates resources for pension benefit payments to qualified employees.

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

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

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

Estimates

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

2. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. All trade and property tax receivables are shown net of allowance for uncollectible accounts, which are recorded at \$-0- at June 30, 2005.

3. Inventory

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

4. Restricted Assets

Assets of the Water and Sewer Fund have been restricted for debt service payments which are to be funded out of bond proceeds and as required by other agreements.

Retained earnings have been reserved for property taxes levied for debt retirement. Retained earnings have not been reserved for the restricted assets resulting from the issuance of debt and the receipt of contributed capital.

Restricted assets at June 30, 2005 consist of the following:

	<u>Restricted Assets</u>
Revenue Bond Reserve	\$194,535
Revenue Bond Debt Retirement	19,286
Revenue Bond Construction	14,085
General Obligation Bonds Construction	29,643
General Obligation Bonds Debt Retirement	<u>207,235</u>
	<u>\$464,784</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

5. Capital Assets

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

<u>Assets</u>	<u>Years</u>
Land Improvements	15-50
Buildings	40
Streets	50
Equipment	5-15

6. Compensated Absences

In accordance with contracts negotiated with the various employee groups of the Village and the Village's internal policy, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured. The long-term portion of compensated absences related to the governmental funds is a liability recorded in the Statement of Net Assets. This liability is composed of employees who retire and any unused vacation paid upon termination of employment. The total liability at June 30, 2005 is \$235,600.

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

7. Long-term Obligations - Continued

discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet And the Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$1,592,491 difference are as follows:

General Obligation Bonds Payable	\$1,380,000
Compensated Absences Payable	<u>212,491</u>
	<u>\$1,592,491</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2005

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - Continued

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$79,928 difference are as follows:

Capital Outlay	\$ 57,096
Depreciation Expense	<u>(137,024)</u>
	<u><u>\$ (79,928)</u></u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$113,242 difference are as follows:

Compensated Absences	\$ 8,242
Principal Repayments:	
General Obligation Bonds	<u>105,000</u>
	<u><u>\$ 113,242</u></u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2005

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

A. Budgetary Information - Continued

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

1. The Village Charter requires two regular council meetings per month. By the second meeting in April, a proposed operating budget must be submitted to the Village Council for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and means of financing them for the upcoming year.
2. A public hearing and adoption of the budget is required by the second meeting in May.
3. On or before June 15, the tax rate must be set and the budget is legally enacted through passage of a budget resolution (general appropriation act).
4. Formal budgetary integration is employed as a management control device for the General and Special Revenue Funds. Budgets for these funds are prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP). The General Fund budget is adopted at the activity level and the budgets for the Special Revenue Funds are adopted at the fund level.
5. Budget appropriations lapse at year end.
6. The Village Council may authorize supplemental appropriations (budget amendments) during the year. In 2005 several budget amendments were made and are reflected in the financial statements.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

None of the funds have a deficit fund balance as of June 30, 2005.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The budget for the General Fund is adopted at the activity level and the budgets for the Special Revenue Funds are adopted at the fund level. Expenditures in excess of budget appropriations are as follows:

	Final <u>Budget</u>	<u>Actual</u>	Excess Expenditures Over <u>Appropriations</u>
General Fund:			
Professional Services	\$ 53,000	\$ 84,516	\$31,516
Police Fund	768,290	779,484	11,194

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2005

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

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

Custodial Credit Risk is the risk that in the event of a bank failure, the Village's deposits may not be recovered. Neither State law nor the Village's investment policy requires consideration of custodial credit risk. As of June 30, 2005, the Village's book balance of its deposits was \$5,504,284; the total book balance was \$5,504,759, due to \$475 in cash on hand. The bank balance was \$5,600,603 which was exposed to custodial credit risk, as follows:

	<u>Bank Balance</u>
Insured by F.D.I.C.	\$ 700,000
Uninsured and Uncollateralized	<u>4,900,603</u>
Total	<u>\$5,600,603</u>

A reconciliation of cash for the primary government follows:

Cash and Cash Equivalents per:	
Statement of Net Assets	\$4,886,810
Restricted Assets-Statement of Net Assets	464,784
Statement of Fiduciary Net Assets	<u>153,165</u>
Total	<u>\$5,504,759</u>

At June 30, 2005, the carrying amount and bank balances of the component units of the Village of Lake Orion are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>FDIC Insured</u>
Downtown Development Authority	<u>\$449,142</u>	<u>\$449,142</u>	<u>\$300,559</u>

Credit Risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Village has no investment policy that would further limit its investment choices. The ratings of the ICMA investments are unknown at June 30, 2005.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

A. Deposits and Investments - Continued

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

Cash-Demand Deposit Accounts	\$ 870,566
Cash-Certificates of Deposits-Less than one year	\$ 3,500,000
Cash-Certificates of Deposits-More than one year	\$ 600,000
Cash-Money Market Accounts (Share price=\$1)	\$ 341,189
Cash-Pooled Funds (Share price=\$1)	\$ 288,848
Investments-ICMA Pension Trust	\$ 121,821

Concentration of Credit Risk. The Village's investment policy places no limit on the amount the Village may invest in any one issuer. All of the Village's investments of \$121,821 are with the ICMA Retirement Corporation.

B. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital Assets, not depreciated:				
Land	\$ 498,484	\$ -	\$ -	\$ 498,484
Capital Assets, being depreciated:				
Land Improvements	390,032	4,931	-	394,963
Street and Road Improvements	1,700,000	9,173	-	1,709,173
Buildings and Improvements	866,470	-	-	866,470
Machinery and Equipment	255,531	18,134	(7,500)	266,165
Vehicles	449,662	24,859	(19,934)	454,587
	<u>3,661,695</u>	<u>57,097</u>	<u>(27,434)</u>	<u>3,691,358</u>
Less: Accumulated Depreciation:				
Land Improvements	(17,905)	(25,182)	-	(43,087)
Street and Road Improvements	(221,000)	(34,000)	-	(255,000)
Buildings and Improvements	(486,777)	(21,632)	-	(508,409)
Machinery and Equipment	(169,964)	(20,551)	7,500	(183,015)
Vehicles	(328,367)	(35,660)	19,934	(344,093)
	<u>(1,224,013)</u>	<u>(137,025)</u>	<u>27,434</u>	<u>(1,333,604)</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 2,936,166</u>	<u>\$ (79,928)</u>	<u>\$ -</u>	<u>\$ 2,856,238</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

B. Capital Assets - Continued

Business-type Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, being depreciated:				
Water and Sewer Transmission Facilities	\$8,654,955	\$ -	\$ -	\$8,654,955
Equipment	<u>178,202</u>	<u>-</u>	<u>-</u>	<u>178,202</u>
	<u>8,833,157</u>	<u>-</u>	<u>-</u>	<u>8,833,157</u>
Less: Accumulated Depreciation:				
Water and Sewer Transmission Facilities	(3,815,687)	(164,147)	-	(3,979,834)
Equipment	<u>(106,399)</u>	<u>(10,875)</u>	<u>-</u>	<u>(117,274)</u>
	<u>(3,922,086)</u>	<u>(175,022)</u>	<u>-</u>	<u>(4,097,108)</u>
Business-type Activities, Capital Assets, Net	<u>\$4,911,071</u>	<u>\$ (175,022)</u>	<u>\$ -</u>	<u>\$4,736,049</u>

Component Unit-DDA:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, being depreciated:				
Land Improvements	\$ 460,720	\$ -	\$ -	\$ 460,720
Street and Road Improvements	905,000	-	-	905,000
Equipment	<u>1,420</u>	<u>-</u>	<u>-</u>	<u>1,420</u>
	<u>1,367,140</u>	<u>-</u>	<u>-</u>	<u>1,367,140</u>
Less: Accumulated Depreciation				
Land Improvements	(240,695)	-	(30,715)	(271,410)
Street and Road Improvements	(117,650)	-	(18,100)	(135,750)
Equipment	<u>(426)</u>	<u>-</u>	<u>(284)</u>	<u>(710)</u>
	<u>(358,771)</u>	<u>-</u>	<u>(49,099)</u>	<u>(407,870)</u>
Component Units Capital Assets, Net	<u>\$1,008,369</u>	<u>\$ -</u>	<u>\$(49,099)</u>	<u>\$ 959,270</u>

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

Governmental Activities:

General Government	\$ 46,907
Public Safety	13,702
Public Works	68,961
Recreation and Cultural	<u>7,455</u>
Total	<u>\$ 137,025</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2005

IV. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers

1. Advances Receivable and Payable

The composition of interfund balances as of June 30, 2005, is as follows:

<u>Advance Receivable Fund</u>	<u>Advance Payable Fund</u>	<u>Amount</u>
General Fund	Longpointe Special Assessment	<u>\$11,915</u>

D. Intangible Assets

The Village has paid a capital charge to Orion Township for the connection to the Township's water lines. The capital charge is being amortized over 40 years using the straight-line method. Amortization expense in 2005 was \$22,518.

Capital Charge	\$ 900,713
Less: Accumulated Amortization	<u>(247,696)</u>
Net Capital Charge	<u>\$ 653,017</u>

E. Long-Term Debt

The following is a summary of long-term debt transactions of the Village for the year ended June 30, 2005:

	<u>Balance July 1, 2004</u>	<u>Add: Additional Debt Incurred</u>	<u>Less: Retirements and Payments on Debt</u>	<u>Balance June 30, 2005</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$1,320,000	\$ -	\$ 95,000	\$1,225,000	\$110,000
MTF Bonds	165,000	-	10,000	155,000	10,000
Compensated Absences	<u>220,733</u>	<u>-</u>	<u>8,242</u>	<u>212,491</u>	<u>9,837</u>
	<u>1,705,733</u>	<u>-</u>	<u>113,242</u>	<u>1,592,491</u>	<u>129,837</u>
Business-type Activities:					
Revenue Bonds	1,525,000	-	80,000	1,445,000	80,000
G.O. Refunding Bonds	1,190,000	-	110,000	1,080,000	120,000
Compensated Absences	<u>13,272</u>	<u>-</u>	<u>-</u>	<u>13,272</u>	<u>539</u>
	<u>2,728,272</u>	<u>-</u>	<u>190,000</u>	<u>2,538,272</u>	<u>200,539</u>
	<u>\$4,434,005</u>	<u>\$ -</u>	<u>\$303,242</u>	<u>\$4,130,763</u>	<u>\$300,376</u>
Component Unit – DDA:					
General Obligation Bonds	<u>\$ 265,000</u>	<u>\$ -</u>	<u>\$130,000</u>	<u>\$ 135,000</u>	<u>\$135,000</u>

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

E. Long-Term Debt – Continued

The following is a summary of general obligation debt outstanding (excluding compensated absences) of the Village as of June 30, 2005:

	<u>Number of</u> <u>Issues</u>	<u>Interest</u> <u>Rate</u>	<u>Maturing</u> <u>Through</u>	<u>Principal</u> <u>Outstanding</u>
Governmental Activities:				
General Obligation Bonds	1	4.50-4.85%	2012	\$1,225,000
MTF Bonds	1	5.00%	2017	<u>155,000</u>
				<u>\$1,380,000</u>
Business-type Activities:				
Revenue Bonds	1	4.85-5.00%	2018	\$1,445,000
G.O. Refunding	1	2.00-3.63%	2013	<u>1,080,000</u>
				<u>\$2,525,000</u>
Component Unit – DDA:				
General Obligation Bonds	1	4.50%	2006	<u>\$ 135,000</u>

The annual debt service requirements to maturity for general obligation bonds outstanding as of June 30, 2005 are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 120,000	\$ 62,175	\$ 200,000	\$103,978
2007	130,000	56,500	215,000	97,698
2008	140,000	50,375	225,000	90,325
2009	155,000	43,687	240,000	82,449
2010-2014	775,000	96,403	1,100,000	269,456
2015-2018	<u>60,000</u>	<u>7,500</u>	<u>545,000</u>	<u>69,750</u>
	<u>\$1,380,000</u>	<u>\$316,640</u>	<u>\$2,525,000</u>	<u>\$713,656</u>
	<u>Component Unit – DDA</u>			
	<u>Principal</u>	<u>Interest</u>		
2006	<u>\$135,000</u>	<u>\$6,075</u>		

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

F. Reserved Fund Balance

A detailed description of fund balance reservations and designations (for all governmental fund types) at June 30, 2005, is presented below:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Fund</u>
<u>Fund Balance</u>					
Reserved for:					
Public Right of Ways	\$16,271	\$ -	\$ -	\$ -	\$ -
Perpetual Care	-	-			152,143
Advances	11,915	-	-	-	-
Prepaid Expenditures	69,313	34,487		-	-
Debt	-	-	<u>18,935</u>	-	-
Total Reserved	<u>97,499</u>	<u>34,487</u>	<u>18,935</u>	-	<u>152,143</u>
Unreserved:					
Designated for:					
Subsequent Year's					
Expenditures	-	416,600	-	-	-
Undesignated	<u>144,938</u>	<u>24,615</u>	-	<u>118,178</u>	-
Total Fund Balance	<u>\$242,437</u>	<u>\$475,702</u>	<u>\$18,935</u>	<u>\$118,178</u>	<u>\$152,143</u>

G. Property Taxes

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

The Village is permitted by State law to levy taxes up to \$20 per \$1,000 of equalized valuation for general governmental services. The following is a summary of the tax rates levied on the 2004 tax roll:

		<u>Per \$1,000 of State Equalized Value</u>			
<u>Purpose</u>	<u>Authorization</u>	<u>Authorized Rate</u>	<u>Authorized Rate Post "Roll Back"</u>	<u>Rate Levied</u>	<u>Tax Margin</u>
Operating	State Law	20.00	12.5422	9.9000	2.6422
Debt	Voted	-	-	1.0656	-
Debt	Voted	-	-	1.3710	-

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

G. Property Taxes - Continued

Under terms of an agreement with the Charter Township of Orion, the Township remits to the Village the equivalent of two mills (as rolled back by State law) of property taxes, which represents a special-voted tax levied on all Township residents (including Village residents) for police services. In accordance with the agreement, the Village will decrease its tax levy by an equal amount. The December 1, 2004 Township tax levy is paid by residents through February 2005. The Township remits its payment to the Village through June 2005, which will be used to replace the July 1, 2005 tax levy.

V. OTHER INFORMATION

A. Employee Retirement Systems and Plans

1. Municipal Employees Retirement System Defined Benefit Plan

a. Plan Description

The Village contributes to the Michigan Municipal Employees' Retirement System (MMERS), which is an agent multiple employer retirement system that covers substantially all full time employees of the Village. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by a certain percentage based on the benefit program in effect as of the date of termination of membership times the final average compensation (FAC). The most recent period for which actuarial data was available was for the actuarial valuation as of December 31, 2004.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of the State of Michigan (MSA 5.333(a); MCLA 46.12(a)). MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Council. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 447 N. Canal St., Lansing, Michigan 48917-9755.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2005

V. OTHER INFORMATION - Continued

A. Employee Retirement Systems and Plans - Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

b. Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Village's collective bargaining units and personnel policy. The Village is required to contribute at an actuarially determined rate; the current rate was a percentage of annual compensation at December 31, 2002 as follows:

General - Union	9.65%
General Non-Union	8.58%
Police – Dispatchers	21.98%
Police	9.11%

c. Annual Pension Cost

During the fiscal year ended June 30, 2005, the Village's contributions totaling \$80,649 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2002. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Fiscal Year Ended <u>June 30,</u>	Valuation Date <u>Dec. 31</u>	<u>Trend Information</u>		
		Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1998	1995	\$19,908	100%	\$-0-
1999	1996	33,384	100%	-0-
2000	1997	46,547	100%	-0-
2001	1998	41,322	100%	-0-
2002	1999	20,587	100%	-0-
2003	2000	33,514	100%	-0-
2004	2001	47,011	100%	-0-
2005	2002	80,649	100%	-0-

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2005

V. OTHER INFORMATION - Continued

A. Employee Retirement Systems and Plans - Continued

2. Defined Contribution Money Purchase Pension Plan

a. Plan Description

The Village of Lake Orion Money Purchase Plan is a single employer P.E.R.S. that administers the Village's defined contribution pension plan for the Village Manager. The Village is the only non-employee contributor to the plan. Only the Village Manager is eligible for the plan. As of June 30, 2004 the plan's membership was 1. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' account. As established by Village policy, the Manager is eligible for the plan on the date of commencement of their employment (following election). Voluntary contributions made by participants and employer contributions vest immediately as provided by the plan. The Village contributes up to 15% of the employee's gross earnings. The employee may make voluntary contributions up to 10% of his or her gross earnings.

b. Summary of Significant Accounting Policies and Plan Asset Matters

The Village's Money Purchase Plan financial statements are prepared on the accrual basis of accounting. Contributions from the Village and the Village employees are recognized as revenue in the period in which employees provide services to the Village. Investment income is recognized as earned by the pension plan.

Investments in Securities are valued at fair value. The Village's plan assets are invested through ICMA Retirement Corporation, in mutual funds administered by ICMA-RC. Investment concentrations information required by GASB 25 is not available.

c. Contributions Required and Contributions Made

The Village is required to contribute an amount equal to 9.20% of the employee's gross earnings. During the year, the Village's required and actual contributions amounted to \$5,341. There were no employee contributions.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2005

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

3. Post Retirement Health Care Benefits

The Village provides health care benefits to nine retirees in accordance with their respective labor contracts. The Village includes these retirees and their dependents in its insured health care plan, with three having no contribution required by the participants and six that have 25% contribution requirements. Expenditures for post employment health care benefits are recognized as the insurance premiums become due. During the year, this amounted to \$87,153, net of participant contributions.

B. Risk Management

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

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

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

C. Joint Venture

North Oakland Transportation Authority

The Authority provides transportation services for the following six entities, the Charter Township of Oxford, the Charter Township of Orion, the Township of Addison, the Village of Lake Orion, the Village of Leonard and the Village of Oxford. The Authority's board consists of nine members of which the Village of Lake Orion appoints one. The North Oakland Transportation Authority is not considered a part of the reporting entity of the Village of Lake Orion. Separate financial statements of the joint venture may be obtained at North Oakland Transportation Authority, 1370 South Lapeer Road, Oxford, Michigan 48371.

VILLAGE OF LAKE ORION
Notes to Financial Statements
June 30, 2005

V. OTHER INFORMATION – Continued

D. Property Tax Appeals

Utility companies appealed tax assessments for 1997-2003, claiming that the State Tax Commission revised depreciation tables that were adopted in 1999 had retroactive effect. The Village along with Oakland County has defended the action, but the case remains unsettled, as is the case statewide. The Village attorney is unable to determine the probable results for the tax amounts in question. Accordingly, adjustments, if any, that might result from the resolution of this matter have not been reflected in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF LAKE ORION
Required Supplementary Information – (Unaudited)
Defined Benefit Pension Plans – Trend Information
For the Year Ended June 30, 2005

Required Supplementary Information for GASB 27

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/95	\$1,786,206	\$1,951,491	\$165,285	92%	\$583,606	28%
12/31/96	1,921,965	2,148,582	226,617	89	592,929	38
12/31/97	2,084,296	2,253,909	169,613	92	603,062	28
12/31/98	2,294,440	2,296,960	2,520	100	628,208	-0-
12/31/99	2,619,818	2,446,538	(173,280)	107	682,067	-0-
12/31/00	2,863,422	2,681,729	(181,693)	107	682,298	-0-
12/31/01	2,987,853	3,293,592	305,739	91	611,424	50
12/31/02	2,897,735	3,531,780	634,045	82	711,796	89
12/31/03	2,917,657	3,635,754	718,097	80	745,628	96
12/31/04	2,942,036	3,697,534	755,498	80	709,702	106

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2004 the latest actual valuation, follows:

Actuarial cost method	Entry age normal cost
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	
Includes inflation at 4.5%	4.50-8.66%
Cost of living adjustments	None

VILLAGE OF LAKE ORION
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Property Taxes	\$ 850,000	\$ 850,000	\$ 847,184	\$ (2,816)
Penalties and Interest	6,000	6,000	10,725	4,725
In Lieu of Taxes	20,000	20,000	21,215	1,215
Special Assessments	5,000	5,000	5,016	16
Intergovernmental - Federal	11,000	11,000	2,200	(8,800)
Intergovernmental - State	241,600	241,600	243,325	1,725
Charges for Services	175,000	175,000	190,502	15,502
Interest Earnings	8,000	8,000	12,114	4,114
Administration Fees	100,500	100,500	100,500	-
Other Revenues	12,000	12,000	21,200	9,200
Total Revenues	<u>1,429,100</u>	<u>1,429,100</u>	<u>1,453,981</u>	<u>24,881</u>
Expenditures:				
General Government:				
Village Council	6,300	6,300	4,652	1,648
Village Manager	79,100	79,100	78,540	560
Clerk	96,770	96,770	94,960	1,810
Treasurer	130,060	130,060	127,468	2,592
Municipal Building	140,550	140,550	128,715	11,835
Data Processing	5,000	5,000	5,002	(2)
Professional Services	53,000	53,000	84,516	(31,516)
	<u>510,780</u>	<u>510,780</u>	<u>523,853</u>	<u>(13,073)</u>
Public Works:				
Sanitation	151,500	151,500	151,369	131
Street Lighting	38,000	38,000	33,842	4,158
	<u>189,500</u>	<u>189,500</u>	<u>185,211</u>	<u>4,289</u>
Health and Welfare:				
Community Development Block Grant	9,700	9,700	2,200	7,500
Community and Economic Development:				
Planning and Zoning	110,225	110,225	87,996	22,229
Recreation and Culture				
Parks and Recreation	38,450	38,450	30,140	8,310
Other Functions:				
Insurance	60,000	60,000	58,115	1,885
Community Promotion	3,000	3,000	1,869	1,131
	<u>63,000</u>	<u>63,000</u>	<u>59,984</u>	<u>3,016</u>
Total Expenditures	<u>921,655</u>	<u>921,655</u>	<u>889,384</u>	<u>32,271</u>
Excess of Revenues Over Expenditures	507,445	507,445	564,597	57,152
Other Financing Sources (Uses):				
Operating Transfers Out	(658,600)	(669,600)	(669,600)	-
Net Change in Fund Balance	(151,155)	(162,155)	(105,003)	57,152
Fund Balance - July 1	347,440	347,440	347,440	-
Fund Balance - June 30	<u>\$ 196,285</u>	<u>\$ 185,285</u>	<u>\$ 242,437</u>	<u>\$ 57,152</u>

VILLAGE OF LAKE ORION
Public Works Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
<u>Revenues:</u>				
Charges for Services	\$ 6,000	\$ 6,000	\$ 6,000	\$ -
Equipment Rental	90,000	90,000	106,099	16,099
Cemetery	24,000	24,000	22,384	(1,616)
Interest Income	300	300	1,426	1,126
Total Revenues	<u>120,300</u>	<u>120,300</u>	<u>135,909</u>	<u>15,609</u>
<u>Expenditures:</u>				
Wages and Benefits	273,540	255,700	204,831	50,869
Repairs and Maintenance	10,000	10,000	9,044	956
Other	28,350	28,350	20,408	7,942
Cemetery	35,950	35,950	40,230	(4,280)
Phase II Stormwater	23,500	63,000	46,283	16,717
Total Expenditures	<u>371,340</u>	<u>393,000</u>	<u>320,796</u>	<u>72,204</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(251,040)</u>	<u>(272,700)</u>	<u>(184,887)</u>	<u>87,813</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	<u>208,800</u>	<u>210,600</u>	<u>210,600</u>	<u>-</u>
Net Change in Fund Balance	(42,240)	(62,100)	25,713	87,813
Fund Balance, July 1	<u>65,768</u>	<u>65,768</u>	<u>65,768</u>	<u>-</u>
Fund Balance, June 30	\$ <u>23,528</u>	\$ <u>3,668</u>	\$ <u>91,481</u>	\$ <u>87,813</u>

VILLAGE OF LAKE ORION
Police Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
<u>Revenues:</u>				
Intergovernmental-State	\$ 4,200	\$ 4,200	\$ 6,039	\$ 1,839
Intergovernmental-Local	397,000	397,000	397,942	942
Fines and Forfeitures	65,000	65,000	55,728	(9,272)
Interest Income	1,000	1,000	3,294	2,294
Other	117,900	117,900	132,981	15,081
Total Revenues	<u>585,100</u>	<u>585,100</u>	<u>595,984</u>	<u>10,884</u>
<u>Expenditures:</u>				
Wages and Benefits	650,090	650,090	641,406	8,684
Other	118,200	118,200	138,078	(19,878)
Total Expenditures	<u>768,290</u>	<u>768,290</u>	<u>779,484</u>	<u>(11,194)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(183,190)</u>	<u>(183,190)</u>	<u>(183,500)</u>	<u>(310)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	<u>360,000</u>	<u>360,000</u>	<u>360,000</u>	<u>-</u>
Net Change in Fund Balance	176,810	176,810	176,500	(310)
Fund Balance, July 1	<u>63,718</u>	<u>63,718</u>	<u>63,718</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 240,528</u>	<u>\$ 240,528</u>	<u>\$ 240,218</u>	<u>\$ (310)</u>

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF LAKE ORION
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Fund</u>	<u>Total</u>
<u>ASSETS</u>					
Cash	\$ 126,613	\$ 18,935	\$ 121,643	\$ 151,168	\$ 418,359
Accounts Receivable	-	-	-	975	975
Special Assessment Receivable	-	11,915	-	-	11,915
Due from State	<u>25,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,453</u>
Total Assets	<u>\$ 152,066</u>	<u>\$ 30,850</u>	<u>\$ 121,643</u>	<u>\$ 152,143</u>	<u>\$ 456,702</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts Payable	\$ 8,063	\$ -	\$ 3,465	\$ -	\$ 11,528
Advance from Other Funds	<u>-</u>	<u>11,915</u>	<u>-</u>	<u>-</u>	<u>11,915</u>
Total Liabilities	<u>8,063</u>	<u>11,915</u>	<u>3,465</u>	<u>-</u>	<u>23,443</u>
Fund Balance:					
Designated for Subsequent Year's Expenditures	86,300	-	-	-	86,300
Undesignated	<u>57,703</u>	<u>18,935</u>	<u>118,178</u>	<u>152,143</u>	<u>346,959</u>
Total Fund Balance	<u>144,003</u>	<u>18,935</u>	<u>118,178</u>	<u>152,143</u>	<u>433,259</u>
Total Liabilities and Fund Balance	<u>\$ 152,066</u>	<u>\$ 30,850</u>	<u>\$ 121,643</u>	<u>\$ 152,143</u>	<u>\$ 456,702</u>

VILLAGE OF LAKE ORION
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Fund</u>	<u>Total</u>
<u>Revenues:</u>					
Property Tax Revenue	\$ -	\$ 156,011	\$ -	\$ -	\$ 156,011
State-Shared Revenue	157,357	-	-	-	157,357
Interest Earned	2,807	863	1,608	3,355	8,633
Other Revenues	2,724	-	6,235	13,780	22,739
Total Revenues	<u>162,888</u>	<u>156,874</u>	<u>7,843</u>	<u>17,135</u>	<u>344,740</u>
<u>Expenditures:</u>					
Highways, Streets, Sidewalks and Other Maintenance	193,929	-	4,019	-	197,948
Other	14,227	-	-	-	14,227
Debt Service:					
Principal	-	105,000	-	-	105,000
Interest and Other Charges	-	65,287	-	-	65,287
Capital Outlay	47,923	-	9,173	-	57,096
Total Expenditures	<u>256,079</u>	<u>170,287</u>	<u>13,192</u>	<u>-</u>	<u>439,558</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(93,191)</u>	<u>(13,413)</u>	<u>(5,349)</u>	<u>17,135</u>	<u>(94,818)</u>
Other Financing Sources (Uses):					
Operating Transfers In	127,000	23,789	50,000	-	200,789
Operating Transfers Out	(93,750)	-	(5,039)	(3,000)	(101,789)
Operating Transfers In-Component Unit	-	-	55,000	-	55,000
Total Other Financing Sources (Uses)	<u>33,250</u>	<u>23,789</u>	<u>99,961</u>	<u>(3,000)</u>	<u>154,000</u>
Change in Fund Balance	(59,941)	10,376	94,612	14,135	59,182
Fund Balance - July 1	<u>203,944</u>	<u>8,559</u>	<u>23,566</u>	<u>138,008</u>	<u>374,077</u>
Fund Balance - June 30	\$ <u>144,003</u>	\$ <u>18,935</u>	\$ <u>118,178</u>	\$ <u>152,143</u>	\$ <u>433,259</u>

VILLAGE OF LAKE ORION
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2005

	<u>Major Street</u>	<u>Local Street</u>	<u>Capital Improvement</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ 30,657	\$ 5,482	\$ 90,474	\$ 126,613
Due from State	<u>17,635</u>	<u>7,818</u>	<u>-</u>	<u>25,453</u>
Total Assets	\$ <u><u>48,292</u></u>	\$ <u><u>13,300</u></u>	\$ <u><u>90,474</u></u>	\$ <u><u>152,066</u></u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts Payable	\$ <u>1,092</u>	\$ <u>1,066</u>	\$ <u>5,905</u>	\$ <u>8,063</u>
Fund Balance:				
Designated for Subsequent Year's				
Expenditures	13,350	4,350	68,600	86,300
Undesignated	<u>33,850</u>	<u>7,884</u>	<u>15,969</u>	<u>57,703</u>
Total Fund Balance	<u><u>47,200</u></u>	<u><u>12,234</u></u>	<u><u>84,569</u></u>	<u><u>144,003</u></u>
Total Liabilities and Fund Balance	\$ <u><u>48,292</u></u>	\$ <u><u>13,300</u></u>	\$ <u><u>90,474</u></u>	\$ <u><u>152,066</u></u>

VILLAGE OF LAKE ORION
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2005

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Capital Improvement</u>	<u>Total</u>
<u>Revenues:</u>				
State-Shared Revenue	\$ 109,031	\$ 48,326	\$ -	\$ 157,357
Interest Earned	1,164	409	1,234	2,807
Other Revenues	-	2,224	500	2,724
Total Revenues	<u>110,195</u>	<u>50,959</u>	<u>1,734</u>	<u>162,888</u>
<u>Expenditures:</u>				
Highways, Streets, Sidewalks and Other Maintenance	96,113	97,816	-	193,929
Other	-	-	14,227	14,227
Capital Outlay	-	-	47,923	47,923
Total Expenditures	<u>96,113</u>	<u>97,816</u>	<u>62,150</u>	<u>256,079</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>14,082</u>	<u>(46,857)</u>	<u>(60,416)</u>	<u>(93,191)</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	25,000	102,000	127,000
Operating Transfers Out	<u>(75,000)</u>	<u>(18,750)</u>	<u>-</u>	<u>(93,750)</u>
Total Other Financing Sources (Uses)	<u>(75,000)</u>	<u>6,250</u>	<u>102,000</u>	<u>33,250</u>
Change in Fund Balance	(60,918)	(40,607)	41,584	(59,941)
Fund Balance - July 1	<u>108,118</u>	<u>52,841</u>	<u>42,985</u>	<u>203,944</u>
Fund Balance - June 30	\$ <u><u>47,200</u></u>	\$ <u><u>12,234</u></u>	\$ <u><u>84,569</u></u>	\$ <u><u>144,003</u></u>

VILLAGE OF LAKE ORION
Nonmajor Debt Service Funds
Combining Balance Sheet
June 30, 2005

	<u>1998</u>	<u>Longpointe</u>	<u>North Shore</u>	<u>Total</u>
	<u>G.O. Bonds</u>	<u>Special</u>	<u>Bridge</u>	
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 14,234	\$ 1,602	\$ 3,099	\$ 18,935
Special Assessments Receivable	-	11,915	-	11,915
Total Assets	\$ <u>14,234</u>	\$ <u>13,517</u>	\$ <u>3,099</u>	\$ <u>30,850</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Advance from Other Funds	\$ -	\$ 11,915	\$ -	\$ 11,915
Fund Balance				
Reserved for Debt Service	14,234	1,602	3,099	18,935
Total Liabilities and Fund Balance	\$ <u>14,234</u>	\$ <u>13,517</u>	\$ <u>3,099</u>	\$ <u>30,850</u>

VILLAGE OF LAKE ORION
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2005

	<u>1998</u>	<u>Longpointe</u>	<u>North Shore</u>	<u>Total</u>
	<u>G.O. Bonds</u>	<u>Special</u>	<u>Bridge</u>	
<u>Revenues:</u>				
Property Taxes	\$ 156,011	\$ -	\$ -	\$ 156,011
Interest Income	553	301	9	863
Total Revenues	<u>156,564</u>	<u>301</u>	<u>9</u>	<u>156,874</u>
<u>Expenditures:</u>				
Principal	95,000	-	10,000	105,000
Interest and Other Charges	59,337	-	5,950	65,287
Total Expenditures	<u>154,337</u>	<u>-</u>	<u>15,950</u>	<u>170,287</u>
Excess (Deficiency) of Revenues Over Expenditures	2,227	301	(15,941)	(13,413)
<u>Other Financing Sources:</u>				
Operating Transfer In	5,039	-	18,750	23,789
Change in Fund Balance	7,266	301	2,809	10,376
Fund Balance - July 1	6,968	1,301	290	8,559
Fund Balance - June 30	\$ <u>14,234</u>	\$ <u>1,602</u>	\$ <u>3,099</u>	\$ <u>18,935</u>

VILLAGE OF LAKE ORION
Nonmajor Capital Project Funds
Combining Balance Sheet
June 30, 2005

	<u>1998 Street Improvements Construction</u>	<u>North Shore Bridge Construction</u>	<u>Atwater Street Construction</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,219	\$ 21,340	\$ 99,084	\$ 121,643
Accounts Receivable	-	-	-	-
Due from Other Funds	-	-	-	-
Total Assets	\$ <u>1,219</u>	\$ <u>21,340</u>	\$ <u>99,084</u>	\$ <u>121,643</u>

LIABILITIES AND FUND BALANCE

Liabilities:				
Accounts Payable	\$ 1,219	\$ -	\$ 2,246	\$ 3,465
Fund Balance	-	21,340	96,838	118,178
Total Liabilities and Fund Balance	\$ <u>1,219</u>	\$ <u>21,340</u>	\$ <u>99,084</u>	\$ <u>121,643</u>

VILLAGE OF LAKE ORION
Nonmajor Capital Project Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2005

	<u>1998 Street Improvements Construction</u>	<u>North Shore Bridge Construction</u>	<u>Atwater Street Construction</u>	<u>Total</u>
<u>Revenues:</u>				
Interest Income	\$ 180	\$ 417	\$ 1,011	\$ 1,608
Other	6,235	-	-	6,235
	<u>6,415</u>	<u>417</u>	<u>1,011</u>	<u>7,843</u>
<u>Expenditures:</u>				
Construction	-	-	9,173	9,173
Other	1,383	2,636	-	4,019
Total Expenditures	<u>1,383</u>	<u>2,636</u>	<u>9,173</u>	<u>13,192</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,032</u>	<u>(2,219)</u>	<u>(8,162)</u>	<u>(5,349)</u>
Other Financing Sources:				
Transfers In	-	-	50,000	50,000
Transfers Out	(5,039)	-	-	(5,039)
Transfers In - Component Unit	-	-	55,000	55,000
Total Other Financing Sources	<u>(5,039)</u>	<u>-</u>	<u>105,000</u>	<u>99,961</u>
Change in Fund Balance	(7)	(2,219)	96,838	94,612
Fund Balance - July 1	<u>7</u>	<u>23,559</u>	<u>-</u>	<u>23,566</u>
Fund Balance - June 30	\$ <u>-</u>	\$ <u>21,340</u>	\$ <u>96,838</u>	\$ <u>118,178</u>

VILLAGE OF LAKE ORION
Combined Balance Sheet
Component Unit - DDA
June 30, 2005

	Downtown Development Authority	DDA Property Acquisition Fund	DDA Debt Service Fund	DDA Construction Fund	Total
<u>Assets</u>					
Cash	\$ 356,591	\$ 75,723	\$ 16,828	\$ -	\$ 449,142
Accounts Receivable	2,146	-	-	-	2,146
Delinquent Taxes Receivable	5,631	-	-	-	5,631
Prepaid Expenditures	1,254	-	-	-	1,254
Total Assets	\$ <u>365,622</u>	\$ <u>75,723</u>	\$ <u>16,828</u>	\$ <u>-</u>	\$ <u>458,173</u>

Liabilities and Fund Balance

Liabilities:					
Accounts Payable	\$ 28,196	\$ -	\$ -	\$ -	\$ 28,196
Deferred Revenue	5,631	-	-	-	5,631
Total Liabilities	<u>33,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,827</u>
Fund Balance	<u>331,795</u>	<u>75,723</u>	<u>16,828</u>	<u>-</u>	<u>424,346</u>
Total Liabilities and Fund Balance	\$ <u>365,622</u>	\$ <u>75,723</u>	\$ <u>16,828</u>	\$ <u>-</u>	\$ <u>458,173</u>

Reconciliation to Statement of Net Assets (page 11):

Fund Balance at June 30, 2005	\$ 424,346
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	959,270
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(135,000)</u>
Net Assets of Governmental Activities-Component Unit	\$ <u>1,248,616</u>

VILLAGE OF LAKE ORION
Combined Statement of Revenues, Expenditures and Changes in Fund Balance
Component Unit - DDA
June 30, 2005

	Downtown Development Authority	DDA Property Acquisition Fund	DDA Debt Service Fund	DDA Construction Fund	Total
<u>Revenues</u>					
Property Taxes	\$ 521,585	\$ -	\$ -	\$ -	\$ 521,585
Intergovernmental:					
Federal, State and Local	91,569	-	-	-	91,569
Charges for Services	13,712	-	-	-	13,712
Interest and Rent	8,434	723	842	547	10,546
Total Revenues	<u>635,300</u>	<u>723</u>	<u>842</u>	<u>547</u>	<u>637,412</u>
<u>Expenditures</u>					
Community Development	363,763	-	-	3,358	367,121
Debt Service:					
Principal	-	-	130,000	-	130,000
Interest and Other Charges	-	-	12,160	-	12,160
Total Expenditures	<u>363,763</u>	<u>-</u>	<u>142,160</u>	<u>3,358</u>	<u>509,281</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>271,537</u>	<u>723</u>	<u>(141,318)</u>	<u>(2,811)</u>	<u>128,131</u>
<u>Other Financing Sources (Uses)</u>					
Transfers In	-	75,000	156,355	-	231,355
Transfers Out	(216,000)	-	-	(15,355)	(231,355)
Transfer Out - Primary Government	(55,000)	-	-	-	(55,000)
Total Other Financing Sources (Uses)	<u>(271,000)</u>	<u>75,000</u>	<u>156,355</u>	<u>(15,355)</u>	<u>(55,000)</u>
Net Change in Fund Balance	537	75,723	15,037	(18,166)	73,131
Fund Balance - Beginning	<u>331,258</u>	<u>-</u>	<u>1,791</u>	<u>18,166</u>	<u>351,215</u>
Fund Balance - Ending	\$ <u><u>331,795</u></u>	\$ <u><u>75,723</u></u>	\$ <u><u>16,828</u></u>	\$ <u><u>-</u></u>	\$ <u><u>424,346</u></u>

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

Net Change in Fund Balance at June 30, 2005 \$ 73,131

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents depreciation in the current period.

(49,099)

Repayment of the principal of long-term debt is recorded as an expenditure in governmental funds. In the Statement of Net Assets, it is a reduction in the long-term debt payable. This amount represents the principal paid on long-term debt in the current year.

130,000

Change in Net Assets-Component Unit \$ 154,032

VILLAGE OF LAKE ORION
Schedule of Indebtedness
Governmental Funds
June 30, 2005

1998 Downtown Development General Obligation

Limited Tax Bonds

Date of Issue: April 1, 1998

Total Issue \$ 905,000

Interest Due May 1 and November 1

Due As Follows:

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Annual Interest Payable</u>	<u>Total Obligation</u>
4.50%	05/01/06	\$ <u>135,000</u>	\$ <u>6,075</u>	\$ <u>141,075</u>

1998 General Obligation Unlimited Tax Bonds

Date of Issue: April 1, 1998

Total Issue \$ 1,700,000

Interest Due May 1 and November 1

Due As Follows:

4.50%	11/01/05	\$ 110,000	\$ 54,425	\$ 164,425
4.50%	11/01/06	120,000	49,250	169,250
4.50%	11/01/07	130,000	43,625	173,625
4.50%	11/01/08	145,000	37,437	182,437
4.60%	11/01/09	155,000	30,610	185,610
4.70%	11/01/10	175,000	22,933	197,933
4.80%	11/01/11	190,000	14,260	204,260
4.85%	11/01/12	200,000	4,850	204,850
		\$ <u>1,225,000</u>	\$ <u>257,390</u>	\$ <u>1,482,390</u>

2003 Michigan Transportation Fund Bonds

Date of Issue: May 1, 2003

Total Issue \$ 175,000

Interest Due April 1 and October 1

Due As Follows:

5.00%	10/01/05	\$ 10,000	\$ 7,750	\$ 17,750
5.00%	10/01/06	10,000	7,250	17,250
5.00%	10/01/07	10,000	6,750	16,750
5.00%	10/01/08	10,000	6,250	16,250
5.00%	10/01/09	10,000	5,750	15,750
5.00%	10/01/10	10,000	5,250	15,250
5.00%	10/01/11	10,000	4,750	14,750
5.00%	10/01/12	10,000	4,250	14,250
5.00%	10/01/13	15,000	3,750	18,750
5.00%	10/01/14	15,000	3,000	18,000
5.00%	10/01/15	15,000	2,250	17,250
5.00%	10/01/16	15,000	1,500	16,500
5.00%	10/01/17	15,000	750	15,750
		\$ <u>155,000</u>	\$ <u>59,250</u>	\$ <u>214,250</u>

VILLAGE OF LAKE ORION
Schedule of Indebtedness
Proprietary Fund
June 30, 2005

1998 Water Supply and Sewage Disposal System Revenue Bonds
Series 1998
Date of Issue - April 1, 1999

Total Issue \$1,900,000
Interest Due June 1 and December 1
Bonds Due as Follows:

<u>Interest Rate</u>	<u>Date of Maturity</u>		<u>Principal Amount</u>		<u>Annual Interest Payable</u>		<u>Total Obligation</u>
4.85%	06/01/06	\$	80,000	\$	71,520	\$	151,520
4.85%	06/01/07		85,000		67,640		152,640
4.85%	06/01/08		90,000		63,517		153,517
4.85%	06/01/09		95,000		59,152		154,152
4.90%	06/01/10		100,000		54,545		154,545
4.90%	06/01/11		105,000		49,645		154,645
5.00%	06/01/12		110,000		44,500		154,500
5.00%	06/01/13		115,000		39,000		154,000
5.00%	06/01/14		120,000		33,250		153,250
5.00%	06/01/15		125,000		27,250		152,250
5.00%	06/01/16		135,000		21,000		156,000
5.00%	06/01/17		140,000		14,250		154,250
5.00%	06/01/18		145,000		7,250		152,250
		\$	<u>1,445,000</u>	\$	<u>552,519</u>	\$	<u>1,997,519</u>

2003 General Obligation Unlimited Tax
Water Refunding Bonds
Date of Issue - April 2003

Total Issue \$1,295,000
Interest Due April 1 and October 1
Bonds Due as Follows:

<u>Interest Rate</u>	<u>Date of Maturity</u>		<u>Principal Amount</u>		<u>Annual Interest Payable</u>		<u>Total Obligation</u>
2.00%	04/01/06	\$	120,000	\$	32,458	\$	152,458
2.50%	04/01/07		130,000		30,058		160,058
2.60%	04/01/08		135,000		26,808		161,808
3.00%	04/01/09		145,000		23,297		168,297
3.20%	04/01/10		135,000		18,947		153,947
3.40%	04/01/11		140,000		14,627		154,627
3.55%	04/01/12		135,000		9,867		144,867
3.63%	04/01/13		140,000		5,075		145,075
		\$	<u>1,080,000</u>	\$	<u>161,137</u>	\$	<u>1,241,137</u>